FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,305 Friday August 7 1987 D 8523 A

How Helsinki rules on human rights are being broken, Page 2

World News

Owen quits as leader of Social Democrats

DR David Owen yesterday resigned as leader of Britain's Social Democratic Party shortly after a majority of party members voted in favour of discussions on a merger or union with the Liberals.

He made it clear that he would continue to lead the fight against merger, making it likely there will be further lengthy, bitter party battles. Page 16

Gandhi denies bribes

Mr Rajiv Gandhi, Indian Prime Minister, yesterday intervened in a parliamentary debate on corruption in defence deals to make a personal statement that he had not received any bribes. Page 3

Koch in hospital

New York City mayor, Mr Edward Koch, 62, was taken to hospital after suffering a suspected stroke. He had been speaking at a Manhattan hospital.

Sea collision

An Indian ship, the Vishva Apurva, broke in two and sank in the Red Sea after a collision with a Greek bulk carrier Dias.

Knitwear prosecutions

Hong Kong's Customs and Excise Department is to prosecute local knitwear manufacturers for suspected violation of US-defined country of origin regulations. Page 4

Italy crime swoop

Italian police have arrested 224 people and seized arms, drugs and stolen goods during a 48-hour crime swoop in three southern provinces. Page 2

Madrid gas blast

Four people were killed and 18 injured yesterday when a gas explosion wrecked an apartment block in Madrid.

New Israeli curfew

Israeli troops imposed a curfew on the West Bank town of Kalkilya after Palestinian guerrillas threw a firebomb into a car carrying a Jewish settler couple, seriously injuring the woman.

Peru arrears

Peru has fallen more than six months in arrears in World Bank repayments, becoming the fifth country to have its loans placed on a non-accrual basis. Page 4

Bonn sanctions call

West Germany's Economics Ministry plans to call for a complete stop on all new investment by German companies in South Africa. Page 4; Miners' demands, Page 3

Non-aggression pact

Senior South African Cabinet Ministers met a Mozambican delegation in an attempt to patch up a non-aggression pact after months of mutual recriminations.

Meese to visit China

US Attorney-General Mr Edwin Meese will participate in a US-Chinese conference in Peking later this month on trade investment and economic law.

Hiroshima Day

Anti-nuclear protesters marked the 42nd anniversary of the US bombing of Hiroshima by painting human shadows outside 100 London buildings.

Stowaways drown

Two Cuban stowaways jumped off a ship and drowned in Antwerp harbour because they thought Belgium was a Communist country, a port official said.

Whites join Mugabe

Two more white legislators have joined Zimbabwean Prime Minister Mr Robert Mugabe's ruling party, giving him enough votes to abolish 20 seat reserved for whites.

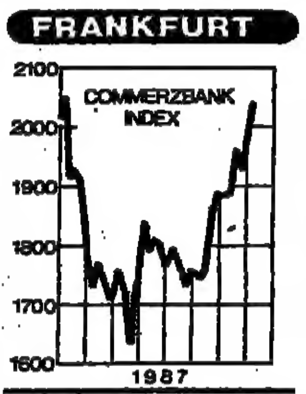
Business Summary

Top-level board shakeup at Unisys

UNISYS, US computer group formed last year by merger of Burroughs and Sperry, has restructured its top management "to emphasise marketing". The main surprise in the shake-up was the resignation of Dr Paul Stern as Unisys president from December 31 for "family and investment interests." Page 17

THREE US insurers reported strong advances in earnings reflecting the continued strength of the property/casualty industry. American International, Continental and Geico posted gains ranging from 40 per cent to 90 per cent in after-tax operating profits. Page 17

FRANKFURT bourse share prices continued their recent strong advance as foreign investors bought blue chip stocks, pulling the rest of the market



behind them, dealers said. The Commerzbank index of 60 leading stocks rose a further 21.2 points to 2,033.2. Page 36

WALL STREET: The Dow Jones Industrial average closed up 27.58 at 2,594.23. Page 36

TOKYO: Prices gained almost across the board with pharmaceuticals and constructions showing particular strength. A rise in the domestic bond market and a drop in oil prices allayed investors' worries about the future market trend. The Nikkei average advanced 361.08 to 24,658.23 on high volume. Page 36

GOLD fell $1.25 on the London bullion and in Zurich to close at $469.00. Page 24

DOLLAR closed in New York at DM 1.8845, Y151.50, SFr 1.5645, FFr 6.2790. It rose in London to DM 1.8830 (DM 1.8775); to FFr 6.2750 (FFr 6.2525); SFr 1.5625 (SFr 1.5570); and to Y151.35 (Y150.70). On Bank of England figures the dollar's exchange rate index was unchanged at 104.5. Page 25

STERLING fell in London to $1.5765 ($1.5790); but rose to DM 2.9675 (DM 2.9650); to FFr 9.8925 (FFr 9.8725); to SFr 2.4625 (SFr 2.4575); and to Y238.50 (Y238.00). The pound's exchange rate index closed at 145.7. It closed in New York at $1.5765. Page 25

MR ROBERT MAXWELL, British publisher, disclosed that he has a 9 per cent stake in Dutch publisher Elsevier and confirmed that he was seeking an alliance with the group. Page 16, Background, Page 17

WPP, small UK marketing services company which last month won a $566m bid for JWT, a much bigger US advertising group, suffered a setback as shareholders responded coldly to the heavy £215m ($336m) rights issue called to help fund the bid. Page 6

DEUTSCHE BANK, West Germany's largest commercial bank, is buying a 24 per cent stake in Roland Berger & Partner, one of the country's leading management consultancy groups. Page 19

DANSKE BANK and Privatbanken, two of Denmark's leading commercial bank reported strong first-half earnings gains. Danske also announced a one-for-eight rights issue which will raise DKr505m ($70.8m). Page 20

GENERAL MOTORS, leading motor manufacturer, started its most generous ever sales incentive campaign in an effort to boost flagging US car sales. Page 17

Europe considers joint action on Gulf ships

BY ANDREW GOWERS IN LONDON AND ANDREW WHITLEY IN DUBAI

EUROPEAN COUNTRIES are consulting each other and the US, on the possibility of joint international action to protect Gulf shipping in the event of a further worsening of tension in the region.

Diplomats in several European capitals said yesterday that discussions were underway on how to deal with the problem of mines in the Gulf. This follows the rejection last week by five European countries - Britain, France, West Germany, Italy and the Netherlands - of US requests for assistance in clearing the waterway of mines which are threatening its escort operations for Kuwaiti tankers.

Mr George Shultz, the US Secretary of State, told a news conference in Washington yesterday: "There have been an countries that there could be some joint action to deal with the problem (of mines). We are willing to talk about that."

The discussions, in which Britain appears to be taking a particularly active role, represent an attempt to reconcile the serious differences which have emerged between Europe and the US over the Gulf. The US is now stressing that mines in the Gulf, which are presumed to have been laid by Iran, are an international problem requiring an international response.

In London, British officials said discussions between US allies were still focussed in the first place on diplomacy to implement the United Nations Security Council's call more than two weeks ago for a ceasefire in the Gulf war, but that minds were now turning to what might be done if this fails and the situation deteriorates.

Any practical steps would have to be taken jointly, possibly under the auspices of the United Nations, and might also involve the Soviet Union, which already has a minesweeper in the Gulf. This may, however, cause problems for the US, which reiterated yesterday that it had no desire to "legitimise" the Soviet presence in the Gulf.

In Rome, Mr Giulio Andreotti, the Italian Foreign Minister, confirmed that the idea of a joint European minesweeping force had been raised, but said European countries still appeared to to prefer a UN initiative. The Dutch Foreign Ministry also emphasised its preference that the UN should be involved. In Bonn, however, the West German Foreign Ministry said it was not aware of any plan for joint action and indicated that it could not send warships to the Gulf, while in Paris, French officials also expressed ignorance.

In the Gulf yesterday, Iran stepped up its psychological warfare against the US by announcing that its military exercises would be prolonged until this evening and saying that remote-controlled aircraft and speedboats packed with explosives were being prepared for use.

However, after three days of "Operation Martyrdom" in and around the Strait of Hormuz, it was clear by yesterday that neutral shipping in the region had been little affected. While tanker traffic has continued as normal, a major religious holiday marking the end of the annual pilgrimage to Mecca has had more impact on general cargo movement than Iran's much trumpeted war games at sea.

Meanwhile, tension continued between Saudi Arabia and Iran following last week's riot in the Saudi holy city of Mecca, in which 402 people, including 275 Iranian pilgrims, were killed. The Saudi Press Agency reported that four Saudi diplomats present in their Tehran embassy when the building was taken over by militants last Saturday were still missing.

British interest rates rise triggers sharp fall in equities markets

BY JANET BUSH IN LONDON

THE BRITISH Government yesterday engineered a one percentage point rise in bank base rates to 10 per cent and emphasised its move was in response to domestic monetary conditions.

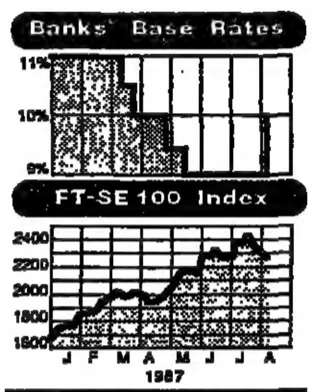
Mr Nigel Lawson, the Chancellor of the Exchequer, said the decision was designed to maintain the sound monetary conditions which had led to the highest growth of the major industrialised countries and low inflation. He said the one percentage point rise in interest rates would be quite sufficient to ensure this.

Financial markets were taken completely by surprise by the Bank's signal in the domestic money market, swiftly followed by one point increases in clearing bank base rates.

The reaction of markets was overwhelmingly negative. UK goverment bond prices fell sharply to close three points down and the broad FT-SE 100 index plummeted 70 points in an immediate response to the news. Sterling rallied only briefly.

The Government's move was widely interpreted in markets as pre-empting next Tuesday's delayed balance of payments figures for June which they speculated may confirm the deteriorating trend shown in May's data.

However, Mr Lawson later refuted the suggestion that his decision to raise interest rates this week had anything to do with the trade figures. Officials stressed yesterday's decision



was taken with a much longer perspective on economic trends.

In terms of tactics, the decision to raise rates now if trade figures were as expected next Tuesday would seem a high-risk one as any further sharp falls in British securities in reaction to a disappointing figure could put the authorities under pressure to raise interest rates again.

British markets are expected to remain nervous until next Tuesday. Then focus will switch to a series of official statistics which will shed light on price and inflation trends in the economy, none of which are expected to be encouraging.

It has been known for some time the Bank of England and the Treasury were concerned about inflationary trends in the economy and had given way only reluctantly to market pressure which forced two half percentage point cuts in base rates in the run-up to the election.

The official message yesterday was that the rise in interest rates to 10 per cent, reversing the cuts in late April and early May, brings monetary policy back on track.

Officials characterised yesterday's move as prudent. They said it underlined the the Government's commitment to controlling inflation but did not represent a panic response to any deepening worries about inflationary trends.

The mood in financial markets remained bleak. On the equity market, the FT-SE 100 index closed 56 points down at 2261.4, its largest daily points loss on record. The FT Ordinary index fell 42.5 to 1754.1.

Sterling's trade weighted index closed unchanged from Wednesday's closing 72.1 despite the rise in base rates. It closed at DM2.9675 compared with the previous close at DM2.9650 and at $1.5765 after $1.5790.

Hugo Dixon in London writes: The Bank of England's unexpected move has thrown the mortgage market into some confusion.

Only two days ago, Halifax, Britain's largest building society, said it would be reducing its mortgage rate from 11.25 per cent to 10.8 per cent on September 1. Last week, Abbey National, the second largest, said it was reducing its rate to 10.5 per cent on Spetember 1.

America accuses Moscow of arms intimidation

BY WILLIAM DULLFORCE IN GENEVA

THE US yesterday accused the Soviet Union of trying to intimidate West Germany after the Soviet Foreign Minister, Mr Eduard Shevardnadze, suggested in Geneva that West Germany was violating the nuclear non-proliferation treaty by seeking to retain its Pershing 1A missiles.

It called on Moscow to "reduce the level of its rhetorical offensive" in favour of serious and quiet negotiations to complete an agreement for the global elimination of US and Soviet intermediate-range forces (INF).

Earlier Mr Shevardnadze told the UN Conference on Disarmament in Geneva that only US nuclear warheads on West German missiles stood between an agreement to eliminate all shorter and medium-range nuclear missiles.

Eduard Shevardnadze: "unbending attitude"

He asked by what right West Germany possessed nuclear weapons if, as the US and West Germany claimed, the 72 Pershing 1As were third-country missiles and therefore could not be included in a bilateral US-Soviet treaty.

He called on the 40-nation UN Conference to "voice an authoritative opinion" on whether joint ownership of nuclear arms was consistent with the 1970 treaty on the non-proliferation of nuclear weapons.

Non-nuclear weapon states, such as West Germany, have pledged not to manufacture or acquire nuclear explosive devices.

The West German ambassador to the conference said the Pershing nuclear warheads were not in his country's arsenals. Bonn remained in full compliance with the treaty, he added.

Mr Max Friedersdorf, the chief US delegate, re-affirmed that the German Pershings "have not been, are not and will not be on the table in the US-Soviet INF negotiations".

Later a US official, deploring Mr Shevardnadze's intimidating attitude, said West Germany, facing massive conventional and nuclear weapons from the East, was understandably concerned about its security. This concern was shared by the US and the whole Nato alliance.

The Soviet minister's unbending attitude appeared to refute recent reports from Washington that Moscow was ready to accept a compromise under which

Background, Page 2

Continued on Page 16

Oil prices ease again as Opec exceeds its quota

By Andrew Gowers, Middle East Editor, in London

INTERNATIONAL oil prices continued to ease yesterday as further evidence emerged of significant over-production by members of the Organisation of Petroleum Exporting Countries, apparently cashing in on market concern over tension in the Gulf.

Opec crude output may now be running as high as 18.9m barrels a day, compared with the oil cartel's official production quota of 16.6m b/d. Ironically, Kuwait - which is considered to be the most vulnerable country in the current escalation of the Gulf conflict - is also the most significant quota-breaker. It is believed to be shipping 1.7m b/d, well in excess of its quota of 996,000 barrels.

Opec over-production has been an important factor behind easing oil prices over the last few days and is causing growing concern to both Saudi Arabia and Iran.

Yesterday, Brent crude dropped by another 17.5 cents to close at $19.675 per barrel for August delivery, while on the New York Mercantile Exchange, the price of a barrel of West Texas Intermediate for September delivery was down 17.5 cents by mid-afternoon to $21.175. Prices have dropped by $1.05 cents since Monday, despite continuing concern over a possible clash between the US and Iran in the Gulf and consequent disruption to oil shipments

Last week, Mr Hisham Nazer, the Saudi oil minister, telexed Mr Rilwanu Lukman, his Nigerian counterpart who is currently Opec chairman, calling for action to curb quota-breaking. The Saudis are believed to be especially angry at Kuwait. But Iran is also believed to be above quota, despite its desire for higher prices. It is said to be producing between 2.6m and 2.9m b/d compared with the officially-allotted 2.369m. Saudi output is said to be around 4.4m b/d, slightly above quota.

According to the International Energy Agency's latest market report, published today, Opec production in July was estimated at 18.2m b/d. Oil consumption in the Organisation for Economic Cooperation and Development countries in the first half of this year was estimated to be 1 per cent up on the first six months of 1986.

Consumption in the second quarter of this year was actually 0.5 per cent lower than in the same period of 1986. For this year as a whole, the Paris-based IEA expects OECD consumption to be about 1 per cent higher than last year.

UK airlines' merger to face monopolies panel scrutiny

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

BRITAIN'S Monopolies Commission is to investigate the proposed £237m ($392m) merger between the recently-privatised British Airways and British Caledonian, the UK's largest independent airline. The commission will give a ruling on whether a merger would be in the public interest.

The decision to refer the merger was made by Lord Young, Trade Secretary, in line with a recommendation from Sir Gordon Borrie, director-general of fair trading.

Sir Gordon's recommendation, which took less than two weeks to reach, landed on Lord Young's desk late on Wednesday evening.

The speed with which it was accepted reflects the considerable pressures from MPs and other independent airlines in favour of a Monopolies Commission study of all the complex issues involved, despite fierce lobbying against a referral by BA and BCal.

The Whitehall view has been that because of the magnitude of the implications for the UK airline industry and the Government's own air transport competition policy, it is vital to study the whole issue in a calmer atmosphere than has prevailed in the past two weeks.

But Lord Young has recognised the need for a quick decision by the commission. Its report is being sought within three months.

Lord King, chairman of BA, said yesterday that although he was "disappointed" at the decision, the airline would co-operate fully with the investigation in the hope that it would ultimately conclude that the merger was in the public interest. In the meantime, he said BA would pursue its campaign in favour of the merger.

Although an immediate consequence of the referral is that the present offer will legally lapse, BA shareholders will be asked at an extraordinary meeting on August 14 to agree to another offer for all BCal's capital as soon as possible after the commission has reported, on the assumption that it favours the merger.

What still remains to be seen is whether BCal will implement its own warnings of the past week or so that in the event of a referral it would re-open discussions with other possible airline suitors on the European Continent and in the US.

Sir Adam Thomson, BCal chairman, echoing Lord King's disappointment, said that the BCal board would meet in the next few days to consider its future strategy "as a matter of urgency."

BCal's options are to wait for the commission's report in the hope that it is favourable to the merger or talk to other interested parties. These are believed to include airlines such as UTA of France, Sabena of Belgium, Alitalia of Italy and Northwest of the US.

Mr Harry Goodman's International Leisure Group (ILG), which owns Air Europe, pledged in a recent letter to Lord Young to buy BCal at a premium over current BCal net asset values, or over £100m. Although that offer has so far been rejected by BCal, it is understood that ILG regards it as still on the table.

In its submission to Sir Gordon Borrie, BCal had claimed that, in the event of a referral, many of its customers and creditors would regard the airline as at risk, and that there could be a serious loss of confidence in it.

This has clearly been a factor influencing Lord Young in asking the commission to produce its report within three months.

Letters, Page 15

Continued on Page 16

CONTENTS

SPOKE IN THE WHEEL OF CENTRAL AMERICA'S SUMMIT

President Oscar Arias of Costa Rica finds his peace plan pre-empted by new US initiative, Page 16

France bans imports of Iranian crude oil

By Paul Betts in Paris

THE FRENCH Government has told major oil companies operating in France to halt Iranian crude oil imports. Mr Alain Madelin, the French industry minister, announced yesterday.

The French authorities had already made discreet recommendations to oil companies last week to stop buying crude from Iran. However, the Government decided to make the ban official yesterday in view of the deadlock between Paris and Tehran.

Mr Madelin justified the ban on French television yesterday arguing that it would be unsuitable for France to continue buying Iranian crude in the current situation. France has been involved in a diplomatic row with Tehran over the alleged involvement of an Iranian embassy official in terrorist activities in France.

The ban follows publication of statistics showing that Iran was France's single largest supplier in June. Imports of Iranian oil amounted to 719,000 tonnes out of 5.1m tonnes. Iran last year was the eighth largest supplier of France but has now moved up to number three after Saudi Arabia and Britain.

French officials acknowledged that these statistics had embarrassed the government. Mr Madelin indicated yesterday it was understandable that oil companies had bought Iranian crude because it was cheaper.

At the same time, the French government also attacked the decision of oil companies to increase the price of petrol following the latest tensions in the Gulf. Four star petrol has increased by between FFr 8 and FFr 11 a litre in recent days to average FFr 4.96 a litre.

Mr Jean Arthuis, the consumer affairs minister, claimed the latest petrol increases were unjustified in view of the excess supply in the oil markets in general.

The government is worried that the latest petrol price rises will put further pressure on the consumer price index. Consumer price inflation — at 3.3 per cent—is running above the government target of a 2.4 per cent.

Surging money supply breaches bank target

By George Graham in Paris

FRANCE'S money supply continued to grow rapidly in June, moving well outside the target band set by the country's monetary authorities.

M3, the broader of the two money supply measures targeted by the Bank of France, grew by 1 per cent in June, bringing the increase over the last 12 months to 7.2 per cent, well above the target range of 3 to 5 per cent growth for the year.

The rapid expansion of the money supply so far this year has been largely due to the sharp rise in issues by banks of certificates of deposit, but these fell in June for the first time since last September. Term deposits, however, rose sharply during the month.

Certificates of deposit accounted for a total of FFr 136.7bn, more than four times the level a year earlier.

M2, the narrower monetary aggregate targeted by the Bank of France, which measures mainly notes and coin, sight deposits and savings accounts, has shown a much slower rate of expansion. Despite a 1.4 per cent increase in June the increase over the last 12 months remained at 2.9 per cent, well below the official target band of 4 to 6 per cent.

Officials remain relatively unconcerned by the apparent rapid growth of M3, attributing is to changes in French financial habits similar to those witnessed in the UK, for example. It continues, however, to create a slight psychological brake on any further reductions in interest rates.

SITE INSPECTION PROPOSAL SURPRISES WEST

Moscow in chemical weapons offer

BY WILLIAM DULLFORCE IN GENEVA

THE SOVIET UNION yesterday refused to compromise over the West German Pershing 1A missiles—the biggest hindrance to the global elimination of intermediate-range nuclear missiles—but produced new proposals which could ease the way towards a worldwide ban on chemical weapons.

In a speech to the 40-nation UN Conference on Disarmament Mr Eduard Shevardnadze, the Soviet Foreign Minister, sought international backing for the series of disarmament moves announced by the Soviet Union in the past two weeks.

His speech crowned what appears more and more clearly to be a campaign by Moscow to force concessions from the US before a summit meeting later this year between President Reagan and Mr Mikhail Gorbachev.

Three main themes emerged from Mr Shevardnadze's address. He was tough in insisting that 72 US warheads on West German missiles stand between the world and the elimination of US-Soviet INF missiles.

He was conciliatory over chemical weapons, where he offered to open Soviet destruction sites to foreign visits and to agree to mandatory inspection, and he spelt out a wide range of verification methods Moscow was ready to activate in space and nuclear disarmament.

On the Pershings Mr Shevardnadze combined legalistic argument with passion. The US, which controls the nuclear warheads on the German missiles, contends that it cannot negotiate with the Soviet Union on "third-country" weapons.

Mr Shevardnadze pointed out that under the nuclear non-proliferation treaty West Germany cannot possess nuclear weapons. If the warheads belonged to the US, then they could not be excluded from an agreement to eliminate all INF warheads.

The UN conference should voice an authoritative opinion on whether joint ownership of nuclear arms by a nuclear and a non-nuclear state was consistent with the treaty, Mr Shevardnadze said.

The Soviet minister asked for a straight answer from the West German delegate to the question: did his country have nuclear systems in its arsenal? He also called directly on the US delegate to answer the question of who actually controlled the Pershing warheads.

To the argument voiced in Bonn and other capitals that a "zero" INF solution would leave an imbalance in conventional and nuclear tactical arms in Europe, Mr Shevardnadze said the Soviet Union had been calling for a start without delay to talks on reducing these weapons

In the chemical weapons talks which are conducted within the UN conference, the Soviet Union would "proceed from the need to make legally binding the principle of mandatory challenge inspections without right of refusal," Mr Shevardnadze said.

Western delegates were not immediately satisfied with what appeared to be acceptance of the US demand for rapid inspection after challenge of any site at which it was suspected that a country might be cheating.

More important in the view of US and British officials was Mr Shevardnadze's invitation to conference delegates to visit its mobile facility for destroying chemical weapons at Shikhany. The minister said experts would also be invited later to a specialised destruction plant being built close to Chapayevsk.

This offer responds to a US invitation in April to Soviet experts to visit its destruction site and to inspect a bunker for storing chemical weapons.

Nevertheless, it took Western delegates by surprise. "It is a major step. They have been completely paranoid in the past about opening up installations which are guarded by KGB regiments," one official commented.

To underline Soviet concern for verification Mr Shevardnadze put forward several new ideas. The conference, he suggested, should appoint a special group of scientists to recommend a system for checking nuclear tests.

Supporting Moscow's recent presentation of a draft space treaty that would prevent the US from deploying weapons in space under its Strategic Defence Initiative Mr Shevardnadze proposed that every space launch should be subjected to inspection.

If a total ban on space-strike arms were agreed, the Soviet Union would be willing to extend inspection to storage facilities, industrial plants and testing centres, he said.

Western officials were extremely sceptical to these space proposals. "That is for the birds. There is no way the Soviets will let foreigners crawl all over their space stations," one commented.

Eduard Shevardnadze arriving at the Geneva disarmament conference yesterday

Anger rises at slow pace of Italian justice

By John Wyles in Rome

THE PLIGHT of an ailing right-wing philosophy teacher, who has been imprisoned for seven years without being found guilty of any crime by the Italian courts, is prompting protests by politicians and human rights groups.

Now under treatment in a prison hospital in Parma, 52-year-old Professor Paolo Signorelli is said by his family to be in a gravely deteriorating nervous and physical condition. More than 100 supporters, including his wife, have reportedly started hunger strikes while a broad spectrum of politicians is demanding that he should be permitted house arrest.

However, the Signorelli case is only the latest of many to arouse concern about the grinding wheels of Italian justice. Under the law, people accused of serious crimes can be detained for up to six years to allow the trial process to be completed. Both the European Court of Human Rights and Amnesty International have criticised the system's workings.

As on previous occasions, the publicity has prompted government promises of reform. Mr Giuliano Vassalli, a distinguished Socialist law professor who is Minister of Justice in the new Italian government, told a parliamentary committee yesterday that he was considering recruiting 1,200 extra magistrates as a means of speeding up judicial procedures.

A neo-fascist activist since the late 1960s, Professor Signorelli has been tried, convicted and then acquitted on appeal for three separate murders. His release in 1985 was blocked by Bologna magistrates who laid charges of involvement in the 1980 bombing of the city's railway station which claimed more than 80 lives.

With his health deteriorating, one set of magistrates in Florence agreed to house arrest but another, in Bologna, insisted that he remain in prison. His wife says that he has lost 35 kilos in weight and can no longer walk. Doctors have reportedly concluded that he is suffering from a number of ailments, including arthritis and chronic bronchitis.

Professor Signorelli's plight will come as no surprise to most Italians who have become inured to the manifold woes listed every year in the Attorney General's report to the Italian President. His litany last January revealed that there were 2,459 cases awaiting appeal at the highest court. Since 1980, there have been roughly 1.5m criminal cases and 1m civil cases pending every year.

The snail's pace of justice is partly due to a shortage of magistrates, partly to trial procedures and partly to a significant increase in criminal cases, thanks to successes in tracking down suspected terrorists and mafia leaders.

Magistrates and judges are in short supply in some of the country's major cities and not all are workoing flat out to cope with the backlog. Court procedures themselves produce a kind of judicial exhaustion. Unlike many other systems where appeals can only deal with points of law, the Italian appellate courts treat each case as though it had never been tried. Studying the record of the earlier court hearing, taking new testimony and re-evaluating previously established facts can, and does, take years.

Bonn forecasts increase in growth of the economy

BY ANDREW FISHER IN FRANKFURT

THE WEST GERMAN Government expects the economy to pick up considerably in the second half of 1987 after what it called the "growth dent" of the first few months.

Mr Otto Schlecht, State Secretary at the Economics Ministry, said the first half showed growth of around 1.5 per cent in real terms. "Growth between the first quarter of 1987, when the economy slipped back as a result of the effect of cold weather on the construction sector, and the second quarter was between 1 and 1.5 per cent," he added.

The Government has sought several times in the last few weeks to paint a more optimistic picture of the economy, following the weak performance of the first quarter. But some recent indicators have suggested that the revival in activity is taking time to work through. Unemployment figures for July showed a rise to nearly 2.2m people, or 8.7 per cent of the workforce.

Latest industrial production figures for June also showed a dip, though the May/June total was up on the previous two months. Yesterday, the statistics for orders received by industry in June showed a 1 per cent decline.

Mr Schlecht said gross national product would have to increase by a real 1 per cent in both the third and fourth quarters on a quarter-to-quarter basis if the expected growth of 1.5 per cent for the full year was to be achieved.

He said this rate should be reached, though other forecasters expect less. For next year, the Government is aiming for around 2.5 per cent.

Poland's new capitalists begin to organise

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S embattled private entrepreneurs look set to gain a defender soon in the guise of an "Economic Society" which plans to hold its first meeting in Warsaw on September 4.

Last month the government announced that it would recognise this new independent group as well as a similar initiative in Krakow called the Industrial Society.

Both openly proclaim their intention to foster the private sector and promote the cause of a market-orientated economy.

Recognition of the two groups — in effect fledgling private employers associations — is one of the first concrete official moves to follow statements about permitting a greater role for the private sector and subjecting state-owned industry to the rigours of the market.

It also marks a significant political concession in giving moderates from the opposition who support free market principles a public platform on economic issues.

When the Krakow group first attempted to register some time ago, it was refused on the grounds that its membership constituted a threat to public order.

Among its founders is Mr Tadeusy Syryjczyk, a delegate to the Solidarity congress in 1981 and Mr Miroslaw Dzielski, who is close to the Catholic Church leader Cardinal Joseph Glemp.

The Warsaw group contains free market economists like Mr Stefan Kurowski, who advised Solidarity and who makes no secret of his disdain for the planned economy.

Another founding member in Warsaw is Mr Alexander Paszynski, a well-known journalist who has stayed on the political sidelines since the 1981 martial la wcrackdown.

In the Warsaw society, voting rights are being limited to members who own private companies. This is seen as a safeguard against the group straying into politics.

Mr Paszynski insists that the society will concentrate on economics and estimates that while there are 100,000 potential members, he will be happy if 10 per cent of these join initially.

There are at present over 450,000 private enterprises in Poland employing on average less than two people. The Economic Society however aims to attract larger scale producers as well as bigger farmers.

Already involved are farmers branching out into food processing, private producers of goods such as electronics equipment and car parts as well as some small-scale foreign-owned enterprises.

The society also presents a challenge to well-established groups such as the Democratic Party and Interpolcom, the foreign companies association, which are at present supposed to defend the rights of these groups.

The groups also aim to raise income by providing financial and marketing advice, and to work on setting up an investment fund as well as lobbying the authorities.

EC Commission to study Belgian motorway tax plan

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday asked the Belgian Government for details of a draft scheme to make foreigners pay for driving on Belgian motorways.

The scheme, put forward by Mr Herman de Croo, Minister for Communications and External Trade, would oblige non-Belgian motorists to pay BFr 500 (£8.20) for a windscreen sticker giving them a year's free passage on the country's motorways. If passed by the Cabinet, it would raise an estimated BFr 2.1bn a year, which Belgian authorities say they need to cut their burgeoning budget deficit.

The plan has drawn a strong formal protest from the West German Government, which has threatened retaliation. The Netherlands is also understood to be upset.

Commission officials fear the Belgian scheme might interfere with the EC's campaign for a genuinely free internal market by 1992, although they emphasise that they are open-minded at this stage.

In addition, they want to look at any new motorway rules, as the Council of Ministers is considering measures to even out fuel and lorry taxes and studying French and Italian motorway tolls.

Gen Eanes quits after rejection by voters

BY DIANA SMITH IN LISBON

Gen Eanes: confusiing political stance

GENERAL Antonio Ramalho Eanes, leader of the Portugal's Democratic Renewal party, has resigned following the party's crushing defeat in the July 19 general election.

The PRD provoked the election by calling a weakly-explained censure motion in April against the minority Social Democrat government of Prime Minister Anibal Cavaco Silva, who went on to win more than 50 per cent of the vote.

The PRD's share of the poll plummeted from 18 per cent in 1985, to under 5 per cent.

Gen Eanes said he had wanted to be useful to the country, but that the election result had shown insufficient public response to his message.

One of Gen Eanes' problems was that his message was never clear either to the public or to political observers. He was elected president in 1976 after leading a successful drive against extreme left-wing attempts to take over Portugal in late 1975. At that time he was fervently backed by parties on the right of centre, who expected a soldier who had firmly led a counter-coup to be a clear-cut head of state.

Instead, his abstruse speeches and heavy-handed efforts to maintain a moderate military voice in daily politics through the now-disbanded Council of the Revolution, and his apparent leftward leaning altered his constituency.

He was re-elected in late 1980, against an ultra-consevartive military candidate, by which time he had alienated not only the centre-right and right but the Socialist party, whose strong presence to the moderate left of centre he seemed anxious to dislodge.

The formation of the PRD in early 1985 was the first overt move against the Socialists. But because the party had no clear political platform and rallied such a heterogeneous collection of politicians—largely drop-outs from other parties—few knew where it stood.

In parliament, the PRD stumbled from right to left, in an attempt to hold the balance of power, but succeeded only in further confusing its image.

The resignation of Gen Eanes not only closes the last page of the military chapter of Portugal's post-1974 political history, leaving the terrain free for unmistakably civilian politicians, it also raises a queston mark over the future of the PRD which no longer has a leader or a message.

East Berlin opens luxury grand hotel

BY LESLIE COLITT IN BERLIN

EASTERN EUROPE'S most luxurious and expensive hotel has opened its doors for well heeled Western guests in otherwise austere East Berlin.

The de luxe Grand Hotel in fact has no match for sheer sumptuousness even in West Berlin. The belle epoque staircase in the lobby and coloured glass dome seem straight out of a production of Rosenkavalier at the nearby State Opera House.

East Germans, although excluded from the hotel proper which accepts only hard currency patrons, may dine in a number of restaurants accessible only from the street.

This has given rise to a barbed new East Berlin joke: In Berlin's pre-war Grand Hotel the ruling class was inside looking out. But in our new hotel its the other way around.

If they wish, arriving Western guests are picked up at West Berlin's Tegel Airport in the hotel's chauffeured Volvo limousine, whisked through border controls at the Berlin Wall and minutes later can relax in an elegant suite at DM 2,500 a night.

The cheapest single room goes for DM 275. Patrons also have the option of taking a cruise on East Berlin's lakes with the hotel yacht.

Financed with a Japanese loan and built by the Kajima company with subcontracting by Siab of Sweden, the 350-room Grand Hotel is operated by East Germany's Interhotel chain

Bonn, Copenhagen in row over fish

BY WILLIAM DAWKINS IN BRUSSELS

MINIATURE parasitic fish worms have caused a major trade row between West Germany and Denmark.

Senior health officials from the two countries and from the Netherlands – which is less seriously embroiled – met in Bonn yesterday to try to unravel the dispute, which was sparked off last week by a German television programme highlighting the perils of eating raw fish.

Copenhagen is furious that the German Government responded to the public fears raised by the programme by insisting that all fish imports should carry new health documentation.

At stake is DKr2.5bn ($357m) worth of Danish fish sales to West Germany, Denmark's largest market for the product.

The documentary brought to the attention of health conscious German viewers the existence of nematodes, a species of parasitic worm found in raw herring.

These can on rare occasions cause serious illness in people who eat fish that have not been cooked or treated properly.

German health authorities immediately insisted that all herring imports from Denmark and the Netherlands should carry new documents testifying that they were free of parasites. They extended the rule to all kinds of fish imports early this week.

ETA suspected of Vitoria bomb attack

SUSPECTED Basque guerrillas killed two policemen yesterday in a bomb attack on two police cars in the northern Basque town of Vitoria, Reuter reports.

A woman passer-by was slightly injured by the blast which shattered windows several hundred meters away, witnesses said.

There was no immediate claim of responsibility. But the attack bore the hallmarks of the Basque separatist group ETA (Basque Homeland and Freedom) which has killed 34 people this year in its fight for Basque independence, a regional government spokesman said.

The bomb, hidden in a roadside rubbish bin, was set off by remote control as the cars passed.

It hit one vehicle, killing the two occupants outright. The second car was untouched.

The attack, at the height of the town's annual fiesta, was near the residence of the provincial governor about 1km from the city centre.

ETA killed two paramilitary civil guards in a similar bomb attack in the Basque town of Onate three weeks ago.

The organisation has hit several civil guard targets since planting a bomb in a Barcelona supermarket on June 19 that killed 21 shoppers.

Since the Barcelona bombing, Spain's worst guerrilla attack in recent times, police have claimed several successes against ETA.

In early July, they said they had foiled a planned summer campaign of bombings in the southern region of Andalusia when they arrested three suspected ETA members.

Further funds to fight AIDS in Africa

DONOR states and organisations have promised more than $13m to finance health programmes next year to combat AIDS in four African nations, the World Health Organisation (WHO) announced yesterday, Reuter reports from Geneva.

The pledges were made over the past two weeks at meetings in the four nations – Ethiopia, Kenya, Rwanda and Tanzania – organised by health ministries and WHO. Representatives of more than 25 states and international bodies attended.

Figures published by WHO last month showed 4,802 reported cases of Acquired Immune Deficiency Syndrome in Africa, but the organisation has estimated the actual number may be 10 times higher.

Eastern bloc unity fractures on questions of minority rights

Surprising rows are emerging at an international forum in Vienna, writes **Judy Dempsey**

EAST EUROPEANS who once loyally reflected Moscow's views at international conferences are breaking ranks. Moreover, they now criticise each other in public, albeit in veiled terms.

The forum in which these developments have been taking place is the Conference on Security and Co-operation in Europe which has been meeting in Vienna since November 1986. The aim is to review the implementation of the Helsinki Final Act which was signed in 1975 by 35 countries, including all the west European countries, the Soviet Union, the US and Canada as well as the east European countries, except Albania.

The meeting went into recess a week ago on a sour note when the US ambassador to the CSCE, Mr Warren Zimmermann, harshly criticised the Soviet Union's record on human rights as well as the absence of "glasnost" among the Soviet delegation. But in eastern Europe, he added, improvements were taking place.

What has surprised western diplomats is that the Soviet Union is allowing the east Europeans more latitude on questions which are not directly reulated to security.

Hungary was the first to step out of line. Last March, the Hungarian ambassador to the CSCE, Mr Andre Erdos, decided to add Hungary's name to a proposal drawn up by Canada which dealt with the issue of nationality. It spelt out the rights for the protection of minorities, including access to travel, culture, books and safeguards to protect the minority's ethnic identity. Erdos' move was "absolutely unprecedented, indeed revolutionary," one western diplomat commented.

This is an issue close to every Hungarian's heart. Nearly 2m Hungarians live in Transylvania, Romania and like the German minority, they are being subjected to forcible assimilation by the Romanian authorities. But why bring this issue—which has been in the past a strictly private affair between two socialist countries—out into the open in Vienna?

"Hungary has had enough," says one eWstern delegate. "In bi-lateral talks with Romania they have tried to resolve the issue. They have gotten nowhere. And since Hungary signed the Helsinki final act, they think that this issue should move to hte international arena."

Equally striking is the lack of support for Bulgaria at the meeting, even from the Soviet Union. Western delegates, including Turkey have made sharp attacks on Bulgaria's policy towards the 800,000 Turks living in Bulgaria, who have been forced to change their names and adopt Bulgarian customs. This policy was begun in the early 1980s and east European diplomats at the CSCE say that "the Soviet Union was pretty annoyed by that decision."

The east bloc's disapproval is reflected by its complete silence in Vienna. No matter how often the west brings up the fate of the Turkish minority in Bulgaria, "none of Bulgaria's allies have ever rushed to its defence," said a western diplomat. Solidarity, so typical among Warsaw Pact allies in the past, is wearing very thin on some issues.

This extends to other areas. "Take East Germany," one Western diplomat commented. "Except for security issues, which is naturally close to East Berlin's own interests, generally, the East German delegation shies away from putting its name to very strongly worded Soviet proposals."

Diplomats also point to Poland's performance. "The Poles are putting on a softer, flexible, and more reasonable image," a non-aligned diplomat argued. "They are slowly gaining international respectability after the imposition of martial law in 1981 and the banning of Solidarity. They dont' want to lose ground now." The Czechoslovak delegation remains as tough as ever, showing few signs of flexibility.

But the real odd man out is Romania. East European diplomats at the CSCE, privately, are unanimous: "We have very little to say to them" one east European diplomat commented. With Mr Gorbachev making efforts to clean up the human rights record in the Soviet Union, "Romania is becoming an absolute embarrassment to the bloc," Western delegates believe. "Their human rights record is abysmal."

Clearly, the Gorbachev factor has influenced this conference. The east Europeans are being given more leeway in pursuing some of their national objectives. The nationalities issue was taboo for many years in post-war eastern Europe. The suppression of the issue has led to bitter conflicts within the bloc. No doubt Mr Gorbachev is well aware of these tensions.

But by allowing greater latitude, the Soviet Union will have to accept a weakening of solidarity. For the Vienna meeting, said one Western diplomat, this is likely to mean "one, long hard slog to seek agreement in drafting a final document. But at least we know that some of our proposals strike an immediate chord with certain countries in eastern Europe. That can only be a good thing."

FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. Tel: 75980; Tlx: 416193; FAX: 722677. © The Financial Times Ltd, 1987.
FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Gandhi denies taking bribes in Bofors deal

BY JOHN ELLIOTT IN NEW DELHI

MR RAJIV GANDHI, the Indian Prime Minister, yesterday took the dramatic step of intervening in a parliamentary debate on corruption in defence deals to make a personal statement that neither he nor any member of his family had "received any consideration in these transactions."

His statements came after persistent allegations and rumours, both inside and outside Parliament, that he may have been involved in setting up bribes through Swiss bank accounts on a $1.4bn howitzer gun contract with Bofors of Sweden. It has been suggested that he, or his Italian born wife Sonia, or Italian members of her family, were among those benefiting from the payments.

Gandhi—statement to parliament

"I categorically declare in this highest forum of India's democracy that neither I, nor any member of my family, has received any consideration in these transactions. That is the truth," said Mr Gandhi.

Yesterday Mr N. DTiwari, Finance Minister, announced that India is to sign a memorandum of understanding with Switzerland to obtain information about specific Indian accounts in Swiss banks. This would be followed by a treaty.

For five months the Indian Government has come under continual pressure over allegations, originally made by Swedish Radio, that Indian officials received bribes in connection with the Bofors deal. Bofors has admitted making payments of around $80m into secret Swiss bank accounts of Indian officials.

The scandal over this, and over alleged bribes on a $400m West German submarine order, have rocked Mr Gandhi's government at a time when he has been facing a number of other domestic political problems.

Yesterday the government failed to win the support of major opposition parties for the terms of an inquiry on Bofors, which has caused opposition walkouts and boycotts of both houses of parliament.

The Government has refused Opposition requests to look at all defence deals since 1980, including the West German submarine contract, and to allow the committee to question government ministers and foreign nationals. The opposition had also wanted the Bofors contract cancelled, which the government has refused, saying the Indian army would be weakened if it did not receive the Swedish howitzer guns on time.

Tamils to get interim link-up

BY MERVYN DE SILVA IN COLOMBO AND JOHN ELLIOTT IN N. W DELHI

PRESIDENT Junius Jayawardene of Sri Lanka is to set up an interim administration for the northern and eastern province of Sri Lanka until elections are held before the end of this year. The two provinces will form a semi-autonomous region for the minority Tamils.

The announcement came as the Indian army's peace keeping force was about to extend to the eastern province of Sri Lanka its supervision of the handover of arms by Tamil extremists. The arms handover has been under way on the northern Jaffna peninsular for two days. While the northern province is Tamil dominated the eastern province is more mixed.

The peace accord President Jayawardene signed last week with Mr Gandhi, the Indian Prime Minister, required him to lift the emergency in these two provinces by August 15.

Mr Jayawardene has appointed a team of officials headed by his secretary to report to him how an advisory council can be picked to represent the three main communities, Tamil, Sinhalese and Muslim, and the main political parties and groups.

T ehTamil Liberation Tigers, the strongest of the guerrilla groups which surrendered arms in Jaffna on Wednesday will probably have the largest number of seats on the advisory council. The Tigers disbanded their military wing on Wednesday and are now functioning as a political party.

The main Tamil parliamentary party, the TULF, which has 16 MPs withdrew from Parliament in 1983 following a constitutional amendment requiring them to renounce separatism. TULF said in Colombo yesterdayt he party has not taken any firm decision yet but talks are being held in Madras where most of the former MPs now live.

Meanwhile the first batch of Tamil prisoners numbering over 300 have been released after the geenral amnesty granted by President Jayawardene on Wednesday. According to the Tamils the number of persons held in detention total nearly 6,000.

Pakistan N-row with US grows

BY MOHAMMAD AFTAB IN ISLAMABAD

THE ROW between Pakistan and the US over Pakistan's alleged nuclear capacity has escalated after Pakistan rejected American proposals to submit its nuclear installations to on-site inspection.

Relations between the two countries have been strained over this issue for some time. Matters recently reached a head after it was reported that a Canadian of Pakistani origin had attempted to import into Pakistan 50,000 lb of maraging steel, a special steel used in various nuclear weapons as well as for the enrichment of uranium.

Pakistan denies that it is enriching its domestically available uranium and claims that its nuclear programme is meant solely to generate electricity.

According to senior diplomats in Pakistan, in talks with Mr Michael Armacost, the US Under-Secretary for Political Affairs, President Zia ul-Haq and Prime Minister Mohammed Junejo refused to allow American or international inspection of its installations unless India too agreed to inspection of its numerous installations. India and Pakistan have persistently refused to sign the Nuclear Proliferation Treaty, but both insists that the other do so.

Mr Armacost said on Tuesday that discussion on the nuclear question will continue in Washington and reaffirmed US opposition to the proliferation of nuclear weapons.

Last week the US Congress subcommittee on appropriations for foreign operations recommended a 105 day suspension of $687m military and economic aid which was to be made available from October 1st this year. The recommendation was made after an American count in Philadelphia indicated a retired Pakistan brigadier and a Canadian of Pakistan origin for allegedly trying to ship maraging steel to Pakistan. However the recommendation still has to go through various committees of the House and the Senate as well as Congress itself.

Mr Armacost expressed the hope that the aid would not be suspended, saying "Washington values its relationship with Pakistan.

The Pakistan government has sharply criticised the American handling of the maraging steel case and the threatened aid suspension. Mr Yaqub Khan, the Foreign Minister, told the Pakistan Senate that "the government at all times will jealously safeguard Pakistan's national interests and sovereignty and it will pursue its peaceful nuclear programme."

China may step up patrols to halt exodus

By David Dodwell in Hong Kong

PEKING, alerted to the sudden heavy influx of Vietnamese refugees into Hong Kong from mainland China, says it is likely to step up coastal patrols, a senior official in the New China News Agency, China's unofficial embassy in Hong Kong, said yesterday.

The Hong Kong-based diplomat contradicted early reports that Peking had ordered emergency action to halt the refugee exodus. He warned that even an immediate stepping-up of police patrols along China's coast would bring no relief for a number of weeks, since many Vietnamese might already be on the high seas headed for Hong Kong.

His comments coincided with the arrival in Hong Kong territorial waters of a further 165 refugees on four boats, taking to 3,200 the total of refugee arrivals from the mainland in the past six weeks

The Hong Kong government on Wednesday announced plans to establish two new closed camps to house Vietnamese refugees, who can take more than six months to process before resettlement. Officials signalled yesterday that there would be efforts for an urgent meeting between security officials on either side of the border.

Political figures in the territory have complained that there is already great difficulty in coping with refugees arriving directly from Vietnam by sea, without this being aggravated by an influx overland from China.

Hong Kong is currently holding about 9,000 refugees in closed camps in the territory. Space in these camps has come under extreme pressure in recent weeks as dozens of boatloads of refugees have arrived in Hong Kong waters. The greatest problems have emerged at the initial processing centres. The two new camps will be able to house a total of 2,500 refugees.

China has a Vietnamese refugee population of about 200,000. Most of these have been settled in the coastal regions of Guangxi and Guangdong provinces.

Jim Jones analyses the issues which underlie the NUM's wage demands

S African miners confront apartheid

BARRING A miracle the honeymoon of South Africa's mine owners and the all-black National Union of Mineworkers will end abruptly on Sunday night.

It lasted just as long as the union felt its interests were served by avoiding direct confrontation. But as both sides hardened their positions this week a major industry-wide strike, avoided since the NUM first began organising men in 1982, seems inevitable.

If the dispute was simply about wages it could probably be settled fairly quickly, as were the disputes of 1985 and 1986. But the fight is now about the fundamentals of apartheid in an industry still regulated by the colour bar.

Perversely, both sides appear to welcome direct confrontation. The success or failure of a strike will provide the only incontrovertible evidence of the extent of the NUM's real support.

The union claims that an overwhelming majority of 200,000 men ballotted in 28 gold mines and 18 collieries voted in favour of strike action to press claims for across-the-board wage increases of 30 per cent. The Chamber of Mines counters that the men were satisfied with the increases ranging from 17 per cent to 23 per cent implemented unilaterally on July 1 after wage negotiations had foundered.

Ramaphosa—no grounds for government interference

The NUM has meticulously observed all the legal requirements of collective bargaining, largely because it is determined not to give the government any excuse for intervening in what is essentially a dispute between employers and employees.

On Monday Mr Cyril Ramaphosa, the quietly spoken NUM general secretary, carefully explained that there were no grounds for government interference in the dispute. The mining industry, he explained, is not regulated by legally enforceable Industrial Council agreements. As a result, he says, government would need to pass a special Act of Parliament to intervene in a legal mine strike.

The government will be in a serious dilemma if, on Monday morning, support for the strike has idled large parts of the two mining sectors which together generate half of South Africa'se export earnings. That dilemma may be lessened, however, if widespread strike action triggers higher gold prices which in turn bolster export earnings. Nevertheless government hardliners will be supported by the ultra-right official opposition if they call for direct action to bring the miners to heel.

It is hard to see how government could justify intervention. The NUM's demands are overtly non-political, centring on safety and holiday issues. At its annual congress in February the union planned a campaign for the replacement of single-sex hostels, which are central to the migrant labour system, with subsidised married accommodation for men who wanted it. It also formulated a secret strategy for combating the racial clauses of the Mines and Works Act which continue to block black entry into supervisory positions and which the government remains reluctant to remove unequivocally.

Both these fundamental anti-apartheid issues are missing from the list of non-wage demands in dispute. Nonetheless, black miners still see racial discrimination as the motivation for their overtly wage-related demands. Black miners, who are more than twice as likely to be killed in mine accidents than their white colleagues, are not paid danger money, Mr Ramaphosa noted. The so-called safety incentive bonuses paid only to white miners are, in fact, danger pay, he contends.

A 1985 study into mine accidents commissioned by the NUM indicated that black miners blamed the parallel system of production bonuses, also paid only to white miners, for an inadequate approach to safety. These bonuses, the study found, make white supervisors more interested in production than safety which, in turn, often results in black miners being obliged to work in conditions they believe are unsafe.

Mr Ramaphosa justifies the demands for danger money and better death benefits by saying the industry will only really appreciate the importance of mine safety if it "begins to feel the pinch."

Upsurge of militancy in Namibian mines

BY ANTHONY ROBINSON IN WINDHOEK

LOOMING strike action on South African mines has a counterpart in neighbouring Namibia where for the last two weeks over 3,000 miners have been on strike at three copper lead and zinc mines controlled by Gold Fields of South Africa at Tsumeb in the north and Otjikaze near the capital Windhoek.

The newly formed mineworkers union has modified its original demands for wage increases of up to 120 per cent but is still seeking raises of between 34 and 65 per cent and big improvements in hostel and working conditions and fringe benefits. Striking workers have been formally dismissed but are still occupying the mine hostels.

A series of union meetings have also been held at the Rossing uranium mine near Swakopmund to discuss possible sympathy strikes while a bomb placed by South West Africa Peoples Organisaion (Swapo) guerrillas exploded two weeks ago at Oranjemund, the centre of DeBeers coastal diamond mining operations.

The upsurge of militancy in Namibian mines follows liberalisation of Namibian labour laws last year and the legalisation of black trade unions by the six party Namibian transitional government which enjoys limited local autonomy in the South African controlled United Nations trust territory.

Liberalisation of the labour laws has led to reorganisation of the Namibian union movement modelled on the South African pattern. In Namibia the co-ordinating role of Cosatu is played by the National Union of Namibian Workers (NUNW) flanked by three industrial affiliates covering mining, the food and allied industries and the metal and allied industries. The most important union, reflecting the key role of mining in the Namibian economy, is the Mineworkers Union of Namibia (MUN).

The MUN is headed by Mr Ben Ulenga a 35 year old former Swapo guerilla who was wounded and captured by South African forces and sentenced to 15 years jail in 1976. He was released last year after spending nine years on Robben Island. Swapo, whose internal wing is allowed to operate as a legal political organisation has affiliated to the new union, a move which reflects Swapo's new strategy of seeking a more effective presence inside the country. Many union officials are Swapo members but Mr Ulenga says the union is seeking to strengthen its organisation independently of Swapo.

Most Namibian miners are Ovambo's, the majority tribe which lives in the Ovamboland war zone where Swapo has been waging a guerrilla war for independence since 1966.

Last year Namibian mineral exports—including diamonds and uranium—rose by 22 per cent to R1.7bn out of total exports of almost R2bn. The depressed rand, recovery of the diamond business and higher demand has helped restore profitability after five lean years. But Mr Bob Meiring, general manager of Tsumeb, says the two old mines, which began operation in 1906, are still only marginally profitable. Despite the richness of thepolymetallic ore-body Tsumeb suffers a major cost handicap due to its distance from both markets and suupliers. GFSA owns 47 per cent of Tsumeb corporation while Newmont Corporation owns 31 per cent and 14 per cent is held by bp minerals international.

WORLD TRADE NEWS

HK to prosecute knitwear makers over quota rules

BY DAVID DODWELL IN HONG KONG

HONG KONG'S customs and excise department is to prosecute at least 25 local knitwear manufacturers for suspected violation of US-defined country-of-origin regulations following complaints from a textile workers' trades union.

The prosecution, likely to be heard in Hong Kong magistrates' courts later this month, are part of an effort by Hong Kong's trade officials to prevent alleged manipulation of quota entitlements at a time when US counterparts are facing growing political pressure to tighten import controls.

Opportunities for quota manipulation arise in Hong Kong because of the increasingly common practice by local exporters of establishing manufacturing subsidiaries or joint ventures in Hong Kong's Chinese hinterland.

Under recently introduced US trade legislation, textile garments or knitwear that undergo "substantial transformation" in China must be included in China's export quota rather than Hong Kong's even if the manufacturer is Hong Kong-based, and even if garments are exported from Hong Kong.

The clothing industry workers union recently presented complaints against more than 80 local manufacturers who, they claimed, were manufacturing articles in mainland China but exporting them under Hong Kong quota, claiming Hong Kong as the country of origin.

The customs and excise trade investigation bureau has so far taken up 25 of these complaints for prosecution. One manufacturer found guilty of similar quota "fraud" was last month fined HK$106,000.

Mr Ng Chiwai, chief controls officer in Hong Kong's customs and excise, said yesterday that his department was every month bringing to court about 80 cases related to quota or country-of-origin manipulation. The prosecutions resulting from the union complaint were "part of the routine flow."

Textile manufacturers appear puzzled by such trade union activity, which is apparently aimed at pressing them to switch processing operations back to Hong Kong from the Chinese mainland.

They insist that all but a tiny minority of manufacturers with operations in China have above-board quota arrangements, and insist that no Hong Kong jobs have come under threat as a result of manufacture in China.

Hong Kong has full employment, with industrialists facing acute difficulties in finding workers to fill jobs needed to meet fast-growing export demand.

Bonn ministry seeks end to S Africa investment

BY ANDREW FISHER IN FRANKFURT

THE West German Economics Ministry plans to call for a complete stop by German companies on all new investment in South Africa, in line with the agreement on sanctions by EC foreign ministers last September.

The Bonn ministry has drafted a letter to be sent to Germany's leading economic organisations, though it will first have to be agreed by the cabinet after the summer break.

The move comes at a time when German industry has been holding back from new investment in South Africa, mainly because of the uncertain political situation.

At the end of 1985, according to the most recent official figures, the size of German investment there was around DM 1.2bn ($413m), less than half the level of two years previously.

However, German concerns have mostly not followed the example of many in the US by pulling out of the country altogether. Leading German-based chemical, motor, and other industrial concerns have sizeable operations in South Africa. The Economics Ministry, headed by Mr Martin Bangemann, a member of the liberal Free Democrat (FDP) wing of the ruling centre-right coalition, will ask th eeconomic organisations — representing major branches of industry—to pass the request for the new investment ban to their members.

Agreement defuses the immediate conflict, says **William Dawkins,** but the subsidies problem remains

Pasta deal leaves US wanting broader solutions

THE EC's 12 member states are due today to give their formal assent to a deal ending the long-running row with the US over pasta export subsidies.

Under the agreement, EC export payments will be cut by 27.5 per cent and subsidies will only apply to half of Community pasta exports. While both sides agree that the deal is reasonable, it only papers over the cracks.

Both US and EC diplomats yesterday accepted that is no more than an ad hoc solution to a small irritant. "I am not suggesting that we have accomplished a miracle," Mr Alfred Kingon, US Ambassador to the EC told journalists in Brussels yesterday. "We are heading into a raft of trade problems," he warned. For underlying this latest in a series of Trans-atlantic trade skirmishes is a much deeper disagreement over the whole system by which the EC helps its agricultural exports to compete in world markets.

The immediate irritant which today's agreement is trying to soothe is the powerful US pasta lobby's complaint that its members were being underpriced by between 40 per cent and 60 per cent by unfairly and illegally subsidised EC pasta exports. The larger question behind it all is the future of the EC's whole system of subsidising agricultural exports to bridge the gap between low world prices and high EC prices.

Washington's argument is that subsidies for processed food are banned under the General Agreement on Tariffs and Trade, while Brussels points out that its payments only relate to the durum wheat used in pasta. On this point, the two sides have agreed to differ.

The eventual answer, currently being worked out in the review of agricultural support systems conducted in the Uruguay round of Gatt talks, will clearly have an important impact on the entire range of EC processed food (and drink) exports from whisky to cornflakes.

Mr Clayton Yeutter, US Trade Representative, argued in his reaction to the deal: "Ultimately, problems such as this can only be resolved when subsidies are brought under control as part of an overall agricultural negotiation." He added: "It should not be necessary to go to the brink of a trade war every time we have a trade dispute."

The US wants to dismantle export restitutions as fast as possible, ideally within 10 years, while the Community says that the task is too big and politically sensitive to be done that fast. Given the current system of taxing agricultural imports, no EC producer would stand a chance in non-Community markets without export subsidies, the EC's argument goes.

Leaving those wider questions apart, the Community's pasta exporters will be spending the next few weeks working out what today's complex deal means for them. Most of them are relatively small Italian companies, accounting for 97 per cent of the EC's $30 to $35m worth of pasta sales to the US.

The 27.5 per cent subsidy cut is better than many expected, given Washington's opening shot for a 50 per cent reduction. However, they did not expect this key condition: that half of EC pasta exports to the US must be made from wheat imported into the EC from North America.

US officials stress that this is not intended to give their grain farmers a boost. In any case, the people likely to get most out of it will be the Canadians, who sold nearly 391,000 tonnes of durum wheat to the EC in 1986, more than twice as much as their American neighbours. The real point of this clause is that exported EC pasta made from North American wheat will be sold without subsidies—an important gesture towards Washington's opposition to the whole system oef export restitution.

EC PASTA EXPORTS TO US		
Year	Tonnes	Ecu (m)
1984	47,500	31.8
1985	60,500	42.8
1986	53,500	29.7

EC DURUM WHEAT IMPORTS 1986 (tonnes)	
Canada	390,997
US	138,357
Others	107,000
Total	529,461

Source: European Commission

The 27.5 per cent payments cut will only operate if the balance between subsidised and unsubsidised EC pasta exports is kept equal. If the split should change, so that more than half of Community pasta exports come from subsidised local wheat, the level of payments will fall. The converse happens if EC pasta makers use proportionately more unsubsidised North American wheat, so that export restitutions would go up.

For every 10 per cent change either way the split between subsidised and unsubsidised exports, the pasta payments will bealtered by 5 per cent. The agreement, which start on October 1, will be reveiwed every three months for the following year, falling to six months afterwards.

The key to making the system work—the Commission officials have their doubts about how practical it will be to enforce its complex checks and balances—will be making it easy for pasta makers to use imported wheat. They find it almost impossible under the present system — so-called "inward processing relief"—for re-exporting foreign wheat. Indeed it is so cumbersome that practically nobody uses it.

The scheme as it stands allows EC food processing companies to buy non-Community wheat without paying import levies so long as they re-export it. Its main snag is that it only applies if they re-export as pasta exactly the same load of wheat bought in under "inward processing relief, a hopelessly cumbersome rule. Today's agreement makes the system much more flexible. Pasta makers will be allowed to import duty-free North American wheat so long as they re-export an equivalent amount of similar quantity, irrespective of its origin.

Iran and China to increase annual trade

IRAN and China have agreed to increase their annual trade to $500m from $300m, the national Iranian news agency IRNA, monitored by Reuters, reported yesterday.

IRNA said the commerce ministers of both countries had had a final round of talks during which they stressed that bilateral ties should be expanded.

Mr Hassan Abedi-Jafari, the Iranian minister, was quoted as saying that China would buy 1m-1.5m tons of crude oil from Iran. Liu Yi, Chinese Commerce Minister, arrived in Tehran with a 12-member team on July 30.

Mr Abedi-Jafari, quoted by IRNA, said Iran and China had agreed to co-operate in technical and scientific research including the manufacture of heavy building machines, electronic industries and thermal power stations.

China exports chemicals and industrial tools in return for Iranian oil, dried fruit and some industrial products. China is also thought to be a substantial supplier of arms to Iran.

Intel suit could spark Korea chip battle

BY LOUISE KEHOE IN SAN FRANCISCO

A MAJOR trade suit filed by Intel, the US semiconductor manufacturer, against Hyundai of South Korea could spark a new chip trade battle between the US and Korea.

Intel has charged the Korean company with "unfair trade acts involving patent infringements" The US chip maker claims that Hyundai is exporting EPROMs (Erasable Programmable Read Only Memory) that violate its patents to the US. In a petition to the US International Trade Commission, Intel is seeking an exclusion order that would prevent Hyundai EPROMs or any electronic equipment containing Hyundai EPROMs from being sold in the US.

In related civil suits, Intel is seeking an injunction to prevent US sales of Hyundai EPROMs and DRAMs (Dynamic Random Access Memory) chips and unspecified damages.

The Intel suits come as US chip makers are becoming increasingly concerned about potential trade problems with South Korea due to a build-up of Korean chip production and a surge of Korean chip exports to the US.

"Similarities between the situations in Korea and Japan have made us alert," said an official at the US Semiconductor Industry Association, the group representing US chip makers.

"South Korea is working to achieve a position of world dominance in semiconductor production," say US industry analysts. Korean chip production was around $1bn last year and growing at about 30 per cent per year, they add.

'The suits come as US chip makers are becoming increasingly concerned about potential trade problems with South Korea, due to a build-up of Korean chip production and a surge of chip exports to the US'

Ironically, Korea's ambitions have been significantly boosted by the effects of the controversial semiconductor trade agreement signed by the US and Japan last year. "The Korean producers are being given a free ride," industry analysts add. Japanese memory chip makers have been forced to raise their prices to comply with the trade agreement, while Korean producers can continue to undercut Japanese prices.

Intel's law suits, do not however accuse the Korean chip makers of dumping. As the inventor of EPROMs, Intel holds several basic patents on the memory chips and licenses most of its competitors to use this technology. Intel, however, acknowledges that it made no attempt to discuss the issue with Hyundai prior to filing its suits.

"Intel and the US semiconductor industry are focusing upon protecting our investments in research and development," says Mr Tom Dunlap, Intel counsel. The suits against Hyundai are "part of a larger process" in which the company is stepping up its efforts to protect its intellectual property rights, he added.

It is unclear, however, why Intel should select Hyundai as the subject of its suits. Despite a major increase in Hyundai's memory chip production, the Korean company remains a minor player in the US EPROM market.

In its ITC filing, Intel claims "prospective injury." "We don't want to allow the situation to develop in which we will be hurt," Intel's lawyers explain.

For Hyundai and other foreign chip makers, the Intel suits represent a clear signal that the US semiconductor industry is determined to protect its technology and its markets. Having dealt with the Japanese trade issue, albeit with mixed results, the US chipmakers are now ready to take on other allegedly "unfair" competitors in the courts.

Angola, Brazil agree credit line, oil sales

ANGOLA has agreed to double its oil sales to Brazil to 20,000 barrels per day in exchange for a credit line of $100m, the official Angolan news agency ANGOP said yesterday, Reuter reports.

Mr Pedro de Castro Van-Dunem, Angolan Foreign Minister, returned to Luanda on Wednesday from a 10-day Latin American trip when he also travelled to Argentina and discussed with officials there sales of meat and grain to Angola.

ANGOP said Brazil would extend an immediate credit line to Angola of $50m with the remaining $50m available at a later date. In return, Angola would doube its current oil sales to Brazil. Trade between Angola and Brazil last year totalled $300m, the report said.

Angola, which won independence from Portugal in 1975, produced about 280,000 barrels of oil a day last year.

AMERICAN NEWS

Bush tries to clear himself on Iran affair

By Lionel Barber in Washington

US VICE PRESIDENT Mr George Bush has made his clearest attempt yet to break free of the Iran-Contra scandal which has hamstrung his campaign for the Republican presidential nomination for the past seven months.

In an interview with the Washington Post, Mr Bush claimed that his truthfulness had been vindicated by the public congressional hearings into the affair which closed earlier this week. He said his judgment could not be faulted by other presidential candidates in the 1988 campaign because he had been "denied information" about what was going on in the Administration.

Mr Bush's defence—similar to President Ronald Reagan's—is likely to cut both ways in the eyes of opponents and the public. While some will sympathise that he was kept uninformed, others will ask why, as Vice President, he appears so disengaged in the Iran policy.

In the interview yesterday, Mr Bush said he had not advised President Reagan against selling arms to Iran because he had not heard strong objections to the policy. He had no idea of the fierce opposition of Mr George Shultz, US Secretary of State, and Mr Caspar Weinberger, US Defence Secretary.

The arms sales broke US policy of neutrality in the Gulf War and of selling arms to nations such as Iran identified as sponsoring terrorism. Mr Bush chaired an inter-agency task force on countering terrorism last year, during the arms sales. Mr Bush said Marine Lt Col Oliver North, the White House aide at the centre of the affair, "made some mistakes, but was motivated by high purpose."

He said he had a high regard for Rear-Admiral John Poindexter, former national security adviser, who shouldered the blame for the scandal, and believed he had told the truth.

According to the latest opinion polls, Mr Bush enjoys a clear if shaky lead in the Republican race. He has by far the best organisation and plenty of money, but he inspires respect rather than passion.

Lone Star State university cashes in on a boom

Cynthia Williams reports from Austin, Texas, on how the rise in the US stock markets has boosted the fortunes of the University of Texas.

A SPECTACULAR boom in the US stock market has caused the value of university endowments to rise dramatically in the last year, partially offsetting the debilitating effects of cuts in Federal aid.

In spite of the Lone Star State's festering fiscal problems, soaring stock values enabled the University of Texas to weather budget cuts and the "Oil Bust" of 1986, as the value of the funds managed by the state university system surpassed Harvard University's for the first time to become the largest in the nation.

Last August, at the end of the fiscal year, the funds managed by the University of Texas System had a total market value of about $3.6bn, just ahead of Harvard. Endowment funds form the capital of a non-profit institution through gifts of cash, securities, and other properties by individuals, corporations, and foundations.

Colleges generally use income from the endowment to cover a portion of their operating expenses. The largest portion of the endowment money managed by the University of Texas, the Permanent University Funds, once derived most of its income from oil and gas revenue from university-owned land in West Texas, but most of the growth in the fund's assets now comes from stock market investments.

Reagan Administration officials say that many colleges are reaping a windfall from the extraordinary performance of their endowment funds. Officials in Washington credit an improvement in the economy brought about by President Reagan as one of the main causes for this bonanza.

But the leading universities dispute the view that such gains justify the big cutbacks in student aid sought by the Administration. The University of Texas is therefore eager to play down reports of its newly-acquired pre-eminence, and finds comparisons with smaller Ivy League universities rather onerous.

University officials are quick to point out that whereas Harvard's endowment supports a single campus of fewer than 15,000 students, the funds managed by the Texas state university are shared by the 14-campus University of Texas System which covers about 140,000 students across the state.

At the peak of the oil boom in 1981-1982, Texas's Permanent University Fund received $178bn from mineral royalties.

Falling energy prices cut that income to $109m in 1985-1986, and it may drop to about $70m in this fiscal year, according to Mr Michael Patrick, executive vice chancellor for asset management for the University of Texas.

Although record stock profits have more than offset shrinking mineral revenue, Mr Patrick and his team of 13 full-time investment advisers are still struggling to diversify sources of income to lessen the fund's dependence on energy sources.

Last year University of Texas profits from the stock market exceeded its income from mineral royalties for only the second time in 30 years that the fund has been allowed to invest in stocks.

The fund could have grown even faster in recent years had it not been for investment restrictions placed on the fund by the state constitution which effectively allow the university to purchase stocks from only about 15 per cent of the companies traded on US stock markets.

"In the past, most of the liquidity was coming from West Texas," Mr Patrick said. "Today, with the fund growing substantially, even if we go back to high prices for oil, as I believe we will, West Texas will never again represent the same degree of importance to the fund that it did in the past. From now on, liquidity will mostly be driven by investment results, which means the fund itself will have to have internal liquidity."

The University of Texas at Austin, located near the ornate pink granite State Capitol, was established in 1883 as the showcase of the Texas state university system, and has grown from a 40-acre tract to a main campus of more than 300 acres with 48,000 students.

As its oil riches increased, catapulting the university into sudden financial prominence, millions were spent to achieve academic respectability by luring prominent academics and Nobel-prize winners away from prestigious institutions on the East Coast and abroad.

The university system also embarked on a spending spree designed to force the world to take notice of Texas's formidable spending power.

It launched a campaign of unbridled acquisitiveness which resulted in the purchase of a Gutenberg Bible, an original copy of Magna Carta, and many of the largest privately-held collections of rare books and prints.

To the university's evident satisfaction, hundreds of scholars have been forced to journey to the Lone Star State from abroad to do research.

Huge sums were also lavished on athletic facilities elaborate enough to accommodate the Olympic Games as well as plush high-tech laboratories – including a supercomputer centre, eventually attracting prominent scientists from around the world and helping the University of Texas to become a leading beneficiary of lucrative government and industry contracts in areas such as Star Wars and superconductor research.

By the time oil plunged to record lows last year, the Austin campus alone accounted for a budget of $500m, and state lawmakers requested that the state university system cut its operating expenses by 13 per cent.

A year of partisan duelling over the state's fiscal future ended last week when the state legislature approved a $38.3bn budget and the largest state package in US history.

The budget agreement is expected to produce a record 9 per cent increase for higher education in the state. As it became apparent that the university would be spared the budget axe, Dr Hans Mark, Chancellor of the University of Texas system who had led a massive lobbying effort, claimed victory. "We have turned around the decline in funding for higher education, and have increased it somewhat."

Dr Mark, a former Secretary of the Air Force and deputy administrator, said. "I think we are now positioned to become the best public education institution in the country."

Although the worst of the fiscal crisis appears to be over, the University of Texas could still face another big hurdle if Governor Bill Clements, a Republican, carries out his threat to veto selected portions of the state budget.

Brazil has record motor exports

By Ivo Dawnay in Rio de Janeiro

THE BRAZILIAN motor industry, a key indicator of the country's economic health, yesterday reported record export sales of 33,500 units for July, an increase of nearly 3,000 units on June.

However, the high level of shipments, which rose to 40,700 units with buses and trucks included, cannot disguise the serious decline in demand in the domestic market.

For the second successive month foreign sales exceeded those in the home market where reduced consumer purchasing power, heavy tax increases and rises in input costs have crippled sales.

July domestic car sales of 33,000 units represent a 26 per cent rise on the previous month, but are still a third below those for the same month last year.

"The problem is not the increase in export sales but the shrinkage in the internal market we have witnessed in the last few months," Mr Andre Beer, president of manufacturers' association Anfavea, said.

Mr Beer said the industry needed to establish regular exports of about 35,000 and raise home sales to between 55,000 and 65,000 to return the industry to its previous employment levels.

Thousands of workers have been dismissed or ordered to take unpaid leave recently as manufacturers' lots have filled with unsold vehicles. The car-makers are also protesting that even with increased sales margins have been squeezed intolerably by raised costs.

Above all, the industry has been hit by a rise of more than 30 per cent in steel prices, ordered by the government in June

The measure was aimed at raising the profitability of the public sector steel companies, grouped under the heavily indebted holding company, Siderbras.

Long-standing protests from the industry appear to be gaining some ground in Brasilia. A senior finance ministry official said yesterday that the government was preparing to lower its Tax on Industrialised Products (IPI) by up to 6 per cent

Panama monitors economic cost of unrest

BY ROBERT GRAHAM, LATIN AMERICA EDITOR, IN PANAMA CITY

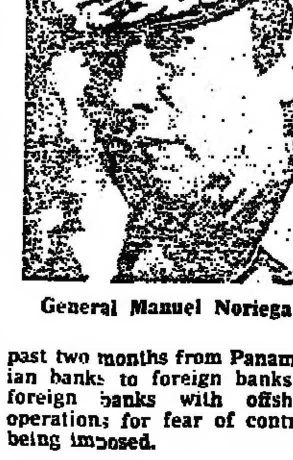
THE PANAMANIAN Government has been holding a series of emergency meetings during the past week to monitor the damage done to the economy by two months of political unrest aimed at removing the country's military strongman, General Manuel Noriega.

Senior officials admit that while canal transit dues and the important Free Zone trade has been unaffected, the rest of the economy has been partly paralysed. According to a prominent Panamanian banker, the Government has been given one estimate that if unrest continues on the present scale Panama could lose over a 12-month period at least $600m, almost 15 per cent of GDP.

This evening another big demonstration was planned by the broad-based opposition movement. The protest was given a new edge by the issue of arrest warrants for five leading members of the Civilian Crusade, including Mr Aurelio Barria, the president of the Chamber of Commerce.

The main immediate concern is the state of the domestic banking system, weakened by large-scale withdrawals. Mr Ricuarte Vasquez, Minister of Planning, said the Government was watching closely the balance sheets of 20 of the 130 domestic and foreign banks located in Panama. Up to four domestic banks are reliably understood to be in difficulties because of a loss of deposits and Mr Vasquez said that one bank had seen more than 10 per cent of its deposits withdrawn. Before the protest began deposits in the domestic banking system totalled $4.5bn

Officials say that no more than $100m has been removed from accounts in the domestic banking system; but foreign bankers claimed the figure is far higher. They say up to $400m could have been transferred in the past two months from Panamanian banks to foreign banks or foreign banks with offshore operations for fear of controls being imposed.



General Manuel Noriega

At the same time funds have been moved to the Bahamas and Cayman Islands and other international centres. Foreign bankers estimate that up to 8 per cent of the $30bn deposited offshore in Panama has been moved. The Government admits to such movements but denies they have been substantial. Within the banking community a figure of $4bn as a conservative estimate is being quoted for funds removed from the Panamanian banking system.

Longer term the Government is worried about a growing fiscal deficit which could be as high as $300m against original 1987 projections of $140m. Receipts have fallen as a result of the civil disobedience campaign withholding taxes, boycotting lottery ticket sales and non-payment of utility bills.

In addition the reduced level of commerce has hit receipts from the 5 per cent sales tax.

World Bank places Peru loan on non-accrual basis

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

PERU has fallen more tha nsix months in arrears in repayments to the World Bank, thus becoming the fifth country to have its loans placed on a non-accrual basis by the bank.

In Washington the bank said Peru, which was $69m in arrears on principal and interest as of June 30, owed principal of $1.03bn on that date and is the largest single debtor to have its loans placed on a non-accrual basis.

This is an automatic accounting move which follows after repayments have fallen more than 180 days overdue. It means the bank will stop accruing repayments to its accounts until it actually receives them.

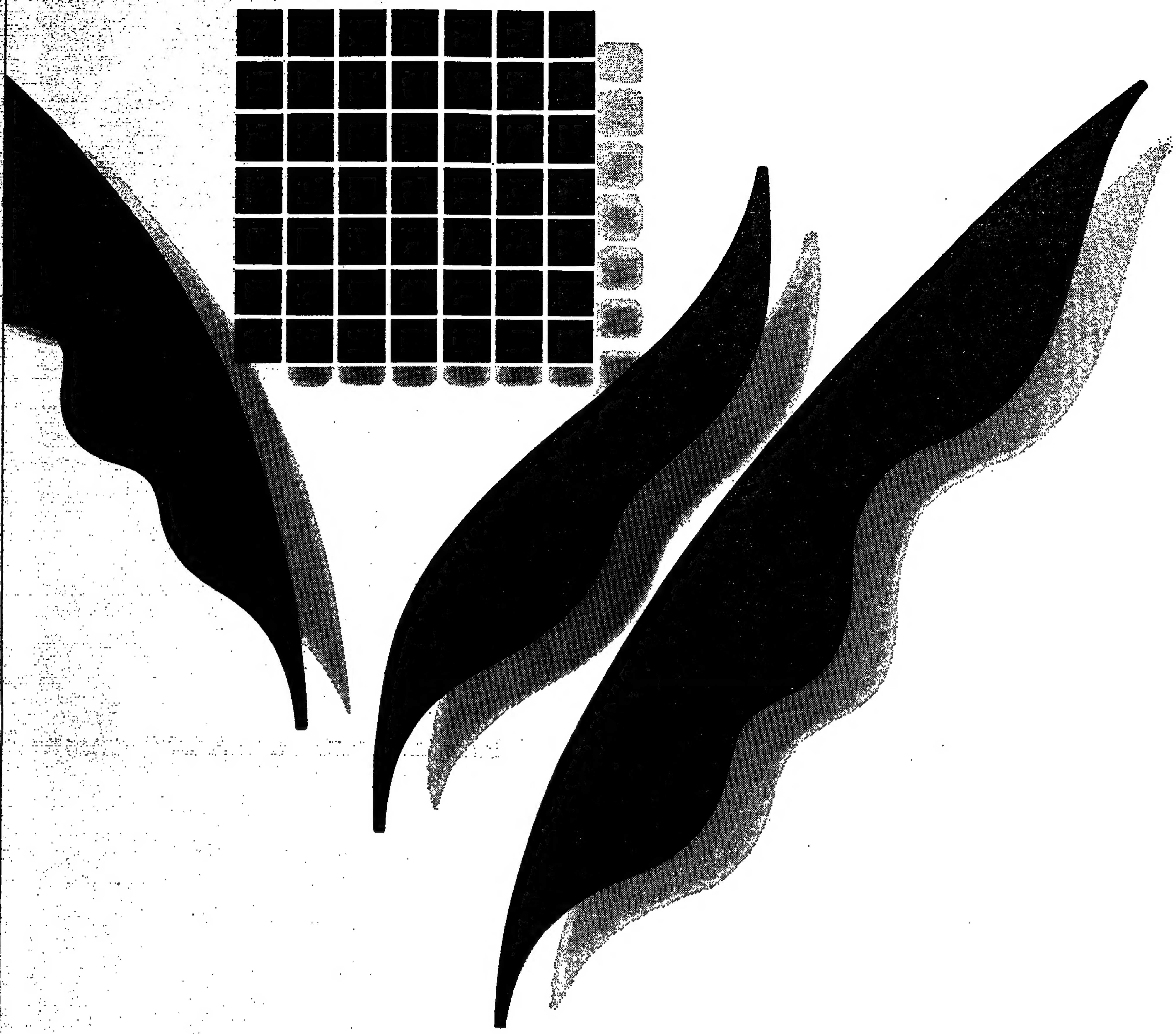
It will make little difference to Peru, whose relations with all its foreign creditors are in abeyance because of its substantial debt arrears. World Bank disbursements of funds to a country and consideration of new loans both stop after it becomes more than 75 days in arrears.

Peru joins Nicaragua (owing $213m and more than two years overdue) Guyana ($83m and placed on non-accrual on December 1) Syria ($419m, February 1) and Liberia ($127m, June 1). The Peruvian move came into effect on August 3.

Three other countries were in arrears of more than 75 days but less than 180 days, but the bank did not disclose which countries had fallen into this category. He said none of them was in Latin America.

The move seems to have been the trigger for rumours in financial markets yesterday that World Bank debt issues were about to be downgraded by the US rating agencies. The bank said the rumours had no foundation.

The bank had about $76bn of loans outstanding on June 30, the end of its financial year.



Ideas bring growth to finance.

The birth of Ferruzzi Agricola Finanziaria.

In October 1985 Gruppo Ferruzzi set out its plans to create one of the biggest agro-industrial groups in the world, to extend its activities into new sectors and to expand into new continents.
In less than two years Gruppo Ferruzzi has become the largest agro-industrial group in Europe and the third largest in the world.
Furthermore it is the second private-sector industrial conglomerate in Italy with an aggregate turnover of over 18 billion dollars.
The Group's idea to use agricultural products for industrial and energy uses, and its related programme for environmental protection is a focal point of international debate. The driving force behind this extraordinary expansion has been Agricola Finanziaria, the Group's holding company.
Its success on the financial market has allowed it to make large-scale investments such as the acquisition of CPC Europe, leader in the starch sector, the acquisition of a controlling interest in Montedison and Béghin-Say, and the restructuring of the sugar sector which makes the Group Europe's leading sugar producer.
The market capitalization of the Agricola Finanziaria group amounts to about 20 billion dollars.

And now it is time for it to grow even more.
Agricola Finanziaria is increasingly identified with Gruppo Ferruzzi and so Ferruzzi Agricola Finanziaria has been born.
All the activities of the Group will converge in the new holding company so that in due course **Ferruzzi Agricola Finanziaria and Gruppo Ferruzzi will form a single entity.**
Its theatre of operations is increasingly worldwide.
Ferruzzi Agricola Finanziaria will span five continents.
Its widely diversified activities follow a single vertical structure from agriculture to services, from trading to agro-industry, from chemicals to the advanced services sector and finally to numerous industrial and financial shareholdings.
Ferruzzi Agricola Finanziaria will be quoted on all the main European Stock Exchanges including London and Paris. This will lead to a broad national and international shareholder base in line with the Group's importance.
The cycle is in constant movement: two years ago ideas brought growth to finance. Today

Finance is bringing growth to ideas.

Ferruzzi
Agricola Finanziaria

UK NEWS

WPP shareholders take up 35% of rights issue

BY NIKKI TAIT

WPP, the small UK marketing services which last month won a $566m bid for JWT, the much larger Madison Avenue advertising group, yesterday suffered a setback as shareholders cold-shouldered the heavy £213m rights issue called to help fund the bid.

The UK company announced yesterday that only 34.67 per cent of the new shares being issued had been taken up by shareholders. There is no question, however, that WPP will get its money – the issue has been fully underwritten by about 200 institutions on commission terms related to the success of the bid. The poor response, however, provokes fears that WPP's share price may be clouded by a subsequent stock overhang.

It also puts a question mark over other instances of highly-aggressive bid financing – in particular, the £837m rights issue to finance Blue Arrow's $1.2bn bid for Manpower.

A low response to the WPP issue was not entirely unexpected after the share price fall during the past week and given yesterday's market conditions.

The price – £11 when the bid was announced – stood at 890p seven days ago but dropped to 865p by Wednesday night. That compared with the 875p rights price. After news of the rights take-up, WPP's shares slumped a further 45p to 820p.

Yesterday WPP's brokers, Panmure Gordon, confirmed that the company's directors – who spoke for about 17 per cent of the equity ahead of the share issue – did not take up their share entitlements directly. About 22 per cent of their rights were sold with the money reinvested in WPP shares.

Saatchi & Saatchi, which held a 7 per cent stake in WPP, also sold out shortly after the bid victory; again that stake, together with the nil paid rights, was placed by Panmure.

In New York, Mr Martin Sorrell, WPP's chief executive, remained philosophical about the response. He said: "What will ultimately determine the price is how successful we are in the future."

The bid by WPP, which was transformed from a shopping trolley manufacturer and near-shell two years ago by Mr Sorrell, a former Saatchi & Saatchi finance director, was always regarded as highly audacious.

WPP's market capitalisation ahead of its offer stood at about £130m and in addition to the rights issue, loan facilities of up to $260m were provided by Citibank and Samuel Montagu.

Since the bid was announced, rumours that JWT clients might defect on the change of ownership have been an added depressant on the WPP price.

In terms of cheek, however, WPP's initiative has since been capped by the Blue Arrow, whose five-for-two rights issue is the largest ever seen in London. This comes just three years after Blue Arrow joined the Unlisted Securities Market

Little growth seen in numbers of temporary workers

BY PHILIP BASSET, LABOUR EDITOR

TEMPORARY WORK in Britain has shown no real growth and the "flexible firm" with temporary workers at the periphery is exceptional, according to a new study of temporary labour.

Several British unions are focusing recruitment efforts on temporary labour because membership in traditional areas is falling.

However, a new study from the independent Policy Studies Institute research organisation suggests that this area may offer less scope than realised for growth in membership.

The study suggests that when participants in special employment schemes are taken out of the statistics, there was almost no growth between 1983 and 1985 in temporary working in relation to the total UK labour force.

This contradicts the general economic expectation that, during a period of employment growth such as that under study, the proportion of temporary work will increase.

The study also suggests there are only a few "flexible firms" in the manufacturing sector, with a core of permanent employees and a peripheral body of temporary or casual workers to meet fluctuating demand.

The analysis, outlined in the institute's journal, Policy Studies, says that latest figures suggest that 6 per cent of the UK labour force consider themselves to be working on a temporary basis.

Most temporary workers are in lower skilled occupations, particularly in the service sector. Distribution and hotel and catering account for two-thirds of the temporary labour force.

The study finds that temporary work often overlaps with self-employed and part-time working. Fifteen per cent of temporary workers are self-employed, compared with 11 per cent of all workers, and well over half of temporary workers are employed part-time.

In industries such as retail distribution, catering and personal services more than 80 per cent of temporary workers are part-timers, and 54 per cent are women.

The study also looks at the reasons for employees taking temporary work, and finds a high correlation between unemployment and "involuntary" temporary work – workers taking temporary jobs because no permanent jobs are available.

Thirty-seven per cent of women said that not wanting a permanent job was the most important reason for taking temporary work.

However, among men only 16 per cent said they took temporary work on such a basis. Only 5 per cent of temporary workers took such work because it was tied to a course of training.

The Extent and Nature of Temporary Employment in Great Britain, by B. Casey, Policy Studies, Vol 8 Part 1 July 1987; PSI, 100, Park Village East, London NW1 3SR; by subscription.

Union anxieties revealed in survey

By David Brindle, Labour Correspondent

ALMOST half the union leaders who took part in an attitudes survey by Mori, the opinion research group, said that an employer's main duty was to perform competitively – even if that meant shedding jobs.

Only a quarter of union general secretaries surveyed said that winning pay increases was one of the main issues facing their organisations. In a previous poll in 1977, 67 per cent said it was.

These and other glimpses of changing perspectives at the highest levels of the labour movement were obtained by Mori earlier this year in interviews with 52 general secretaries of unions affiliated to the Trades Union Congress (TUC), seven assistant general secretaries and 12 other members of the TUC General Council.

The survey results, released yesterday, confirms that union leaders are anxious about their failure to respond adequately to a changing labour market: 70 per cent, for example, felt the union movement was not meeting the needs of part-time workers.

Similarly, 75 per cent said the TUC was ineffective in its dealings with the Government. Only 58 per cent agreed that the unions were "well in touch" with their members and 51 per cent felt industrial relations would improve if there were fewer, bigger unions.

On business performance, 48 per cent agreed with the statement that "the main responsibilities of companies is to perform competitively, even if this means reducing the number of people they employ." Forty-five per cent disagreed.

In terms of the main issues facing the union movement today, unemployment (66 per cent) and "anti-union legislation" (61 per cent) were seen as more important than membership loss (44 per cent), although only 34 per cent identified unemployment and job security as main problems for their own unions.

Looking ahead, better member services was seen as the single most likely change for unions over the next few years. Only 8 per cent approved of no-strike deals and only 7 per cent expected their members to become less militant

Stock market and LIFFE merger talks end in deadlock

BY CLIVE WOLMAN

THE LONDON Stock Exchange and the London International Financial Futures Exchange (LIFFE) yesterday announced that their moves to set up a merged exchange for the trading in the UK of all options and futures contracts have ended in deadlock.

The stumbling block, which has become apparent during several months of talks, is that neither exchange is prepared to give up its ultimate jurisdiction over the separate markets.

Instead, at separate press conferences and amid mutual recrimination, the exchanges said that they have agreed to develop "close co-operation," although the only practical step in the near future would be to hold further talks.

Sir Nicholas Goodison, the stock exchange chairman, said that he was taken aback by the publication yesterday by LIFFE of its case for a unified futures and options market being independent of the stock exchange. This would effectively place the stock exchange's traded options market under the aegis of LIFFE.

"I could not disagree with that statement more profoundly," Sir Nicholas said. "I think that the present situation is somewhat embarrassing."

He said that the stock exchange had earlier sent a paper to the LIFFE board proposing a unified market which would be granted a high degree of autonomy within the stock exchange. But the LIFFE board had rejected it without discussion and without allowing a stock exchange representative to present the case.

The LIFFE statement, which Sir Nicholas suggested had damaged the limited harmony between them, says that a financial options and futures market should remain independent of the underlying equity, bond and currency markets on which they are based.

There are few opportunities for using common systems, the LIFFE statement says, and integration with an organisation such as the stock exchange "often inhibits initiative and retards decision-taking."

The main area of proposed co-operation is that of settlement systems, in particular the initiative between LIFFE and the International Commerce Clearing House to develop a new system for matching and clearing bargains.

LIFFE will participate in a stock exchange project on the routing of orders and execution of small transactions. Price reporting systems will be reviewed jointly.

According to Mr Tony Guigand, director of the stock exchange's option market, the most difficult area of co-operation will be that aimed at ending the "wasteful duplication of products."

At present, both exchanges trade separate options contracts on two currencies, the UK stock market index, and two gilt-edged securities.

Mr Brian Williamson, LIFFE chairman, said that there were several reasons for the relative lack of success of these contracts,

Other possible areas of co-operation are the setting up of a management control team to look at new contracts for trading on both markets, the designation of a single guarantor for all contracts traded on both markets, joint promotional campaigns, regulatory issues and future floor space needs.

Falling membership 'central problem for trade unions'

BY OUR LABOUR EDITOR

COMING to terms with declining trade union membership is now the main question facing British trade unions, Lord McCarthy, a leading industrial relations academic said yesterday.

Lord McCarthy's identification of the importance of union membership, recruitment and organisation is in line with shifts within the Trades Union Congress and its affiliates towards a greater emphasis on these areas.

In an address to a conference in Oxford on comparative industrial relations organised by the Bureau of National Affairs, the US-based information service, he said that most unions in the UK had now recognised the serious problem of declining union membership.

July new car sales point to third record year

BY JOHN GRIFFITHS

NEW CAR sales last month were the highest for a July in eight years and maintained the market's momentum towards the third consecutive year of record sales.

UK-produced cars also took their highest monthly market share—52.7 per cent—for seven years, and for the first time since the late 1970s the tentative prospect is raised of imports taking less than half the market in a full year.

After seven months, UK-produced cars have accounted for 50.08 per cent of the market. In July last year UK-sourced cars took only 43.68 per cent, and 44.36 per cent over the first seven months.

July's sales totalled 49,644, up 3.9 per cent on the same month a year ago. This still represents less than 3 per cent of forecast full-year sales of about 1.9m—the result of would-be buyers delaying purchases until the introduction of the E prefix on August 1. Sales forecasts for the current month vary between 370,000 and 400,000.

July's figures brought the year-to-date total to 1.052m, 3.94 per cent more than the 1.012 recorded in 1986's first seven month.

Statistics from the Society of Motor Manufacturers and Traders showed Ford, the market leader, with a slightly reduced share of 31.26 per cent in July, compared with 31.51 per cent a year ago, but its year-to-date figure markedly improved at 29.11 per cent (26.96).

Rover Group occupied second place for the month with 15.85 per cent, down marginally from 15.93 per cent, while Vauxhall took third place with 15.76 per cent (14.4 per cent).

UK CAR REGISTRATIONS

	July 1987	%	July 1986	%	Year to date 1987	%	Year to date 1986	%
Total market	49,644	100.00	47,759	100.00	1,052,386	100.00	1,012,465	100.00
UK-produced	26,250	52.88	20,859	43.68	527,048	50.08	449,089	44.36
Imports	23,394	47.12	26,900	56.32	535,338	49.92	563,376	55.64
Ford	15,517	31.26	15,051	31.51	306,319	29.11	272,972	26.96
Rover group	7,871	15.85	7,610	15.93	165,509	15.73	167,431	16.54
Vauxhall/Opel	7,822	15.76	6,877	14.40	145,695	13.84	161,512	15.95
Peugeot/Citroen	3,094	6.23	2,874	5.96	70,857	6.73	62,488	6.17
Audi/VW/Seat	2,265	4.57	2,292	4.80	43,795	6.06	64,759	6.40
Nissan	2,629	5.30	2,458	5.15	52,958	5.03	53,192	5.25
Renault	1,731	3.49	1,963	4.11	42,871	4.07	37,135	3.67
Volvo	1,371	2.76	1,415	2.96	37,889	3.60	36,928	3.65
Fiat/Alfa/Lancia	1,343	2.70	1,331	2.78	37,694	3.59	35,212	3.47

Source: Society of Motor Manufacturers and Traders

Renault to buy more UK parts

BY JOHN GRIFFITHS

RENAULT HAS talked with 100 UK-based parts suppliers, with the aim of increasing component-buying in this country, and this year intends to buy UK-sourced supplies worth more than the £130m spent last year.

Orders resulting from the initiative are to be placed over the next few months. However, Renault yesterday gave no forecasts of by how much last year's figure might be exceeded.

Plans to increase UK parts-sourcing were made about a year ago, culminating in a meeting with the 100 potential suppliers at which Renault's needs were set out. Later a team from Renault's purchasing directorate toured short-listed suppliers, inspecting premises and equipment.

Renault's existing spending in the UK includes £45m with 900 UK companies supplying Renault Truck Industries, its truck and bus making subsidiary based at Dunstable, Bedfordshire.

Renault's move reflects the increasingly competitive position of the UK components industry, helped by more favourable exchange rates in relation to continental currencies.

A similar trend is being observed among multinational car-makers with UK bases, such as General oMtors.

Mr John Bagshaw, Vauxhall chairman, said GM intended to increase component purchases by between £100m and £200m this year, subject to the sterling-D-Mark rate remaining favourable.

Renault's return to profit, Page 20

'Progress' on vocational qualifications

By Janet Bush

THE National Council for Vocational Qualifications, set up by the Government last October, is making progress towards a coherent national framework for vocational qualifications, according to an article in the latest Employment Gazette, published by the Employment Department.

The council plans to have a National Vocational Qualification fully implemented by 1991. This is envisaged not as an award system in itself but as a hallmark on qualifications awarded by approved bodies, whose certificates would bear the council's insignia.

The system is designed to co-ordinate the existing mass of vocational schemes into a standard that employers can recognise and potential employees can aim at.

The article explains that training organisations and examining bodies hand out vocational awards to about 1.75m people each year, but it has become increasingly difficult for employers and trainees to choose between the qualifications on offer. The system is designed to ease this problem.

A government pamphlet published a year ago said: "People in Britain are under-qualified. Worse than that, the qualifications system is a jungle."

The framework aims to break down the divide between academic and vocational qualifications and to encourage more and better training to meet the employment needs of industry and commerce.

The first batch of qualifications, accredited by the council last month, covered electrical contracting, hotels and catering, motor vehicle retail and repair, and retail travel.

University to establish novel engineering course

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

SALFORD'S UNIVERSITY and college of technology have been given £500,000 by the Government to establish a novel high-technology course.

The four-year course is in computer-aided manufacturing engineering. The first two years will be spent at the college of technology and the second two at the university.

The first half will lead to a higher national diploma while the second half will lead to a bachelor of engineering.

The aim is to produce a qualification in which a practical grounding in how to apply computer technology to engineering problems is combined with advanced academic and intellectual development.

The course breaches the binary system of higher education which started in 1965 and grouped the 44 universities into one camp and the new polytechnics and colleges of further education into another.

The money for the course will come through the University Grants Committee, and from the National Advisory Board, its counterparts for colleges and polytechnics.

The aim of the course is to produce engineers capable of immediately applying the latest technology. Staff at the two institutions believe that such specialists will help increase the international competitiveness of the manufacturing industry. The course will be tailored to industrial needs.

It is designed to widen access to degree-level studies for students from a variety of backgrounds. They might have only one A-level or "practical" qualifications, which would normally exclude them from all but colleges of further education.

Entry to the university half of the course will depend only on performance in the first half. At least 25 of the intake of 60 are expected to go beyond the first phase.

Council sets up computer services venture with IMI

BY RALPH ATKINS

A PRIVATE computer services company has been set up by Warwickshire council to cash in on the sweeping changes planned for local government.

IMI, the diversified metals and engineering group, is joint owner of the new company, Warwickshire Computing — the first private company offering computing services to the public sector to be staffed entirely by local government personnel.

Demand for computers by local authorities is expected to surge in the next few years to cope with the burden of administering a four-year transition from rates to community charges.

Legislation to allow schools to opt out of local authority control, changes in the housing benefit system and the introduction of competitive tendering systems for many local government services will also put pressure on council computer systems.

The council owns 49 per cent of Warwickshire Computing. The rest is controlled by IMI.

Cigarette tax rise of 21% urged

BY LISA WOOD

CIGARETTE TAX should rise by 21 per cent in the next Budget with 6 per cent real annual increases subsequently, the British Medical Association said yesterday. This would raise the price of a packet of 20 cigarettes, now about £1.50, by about 30p next year and by a total of about 70p by 1992.

Tax accounts for about 75 per cent of the retail cost of a packet.

The association, which represents the majority of medical opinion, says such a move would raise government revenue by up to £1.6bn in the five-year period, cut the number of smokers and save up to 15,000 lives.

The Tobacco Advisory Council, which represents tobacco interests, attacked the proposals.

● A substantial tax rise would lead more smokers to trade down to cheap imported cigarettes, which in the past three years had increased their UK market share from less than 1 per cent to more than 10 per cent.

● The plan would be a move away from plans for harmonisation of tax in the European Community.

● "We would also ask whether fiscal weapons should be used for social engineering."

Dr John Dawson, head of the association's professional and scientific division, said: "The only losers are an evil industry, selling things which are intrinsically poisonous. The Government is in a position to carry through a pricing policy on tobacco that would enable it to have its cake and eat it—to have more money and save lives."

Mrs Joy Townsend, a Medical Research Council economist, demonstrated cigarette price elasticity at a press conference to launch the association's campaign. She said: "When the Government puts the price up, people smoke less but the Government gets more revenue."

She said lower-income groups, which suffered most from tobacco-related diseases and which include most smokers, were most responsive to price changes.

The tobacco industry has in the past said falling sales caused unemployment among tobacco workers. Dr Dawson said that since the 1970s the industry had become highly mechanised: "The tobacco industry does not give a damn for the people who work for it."

The association will lobby MPs and seek to meet the Chancellor in the months leading to the next Budget. It said a government failure to act would mean more unnecessary deaths.

Bernard Matthews in US licensing agreement

By Christopher Parkes, Consumer Industries Editor

BERNARD MATTHEWS, the Norfolk meat processor, is to break into the US market through a licensing agreement with Sara Lee Corporation.

The Chicago-based Sara Lee will produce and market frozen turkey, beef and pork roasts throughout the US. Bernard Matthews holds patents for the technology required to produce the handy-sized, cylinder-shaped products.

Financial arrangements are secret, but similar deals with H. J. Heinz of Canada and the New Zealand Meat producers Board were based on a 5 per cent royalty on all products sold.

Sara Lee, best known for frozen cakes and Douwe Egberts coffee in Europe, is one of the largest food groups in the US, with annual sales of more than $8bn (£5.1bn).

Mr Bernard Matthews pointed out yesterday that the US turkey market was six times bigger than Britain's. Annual sales of all processed meat in the US total more than $20bn.

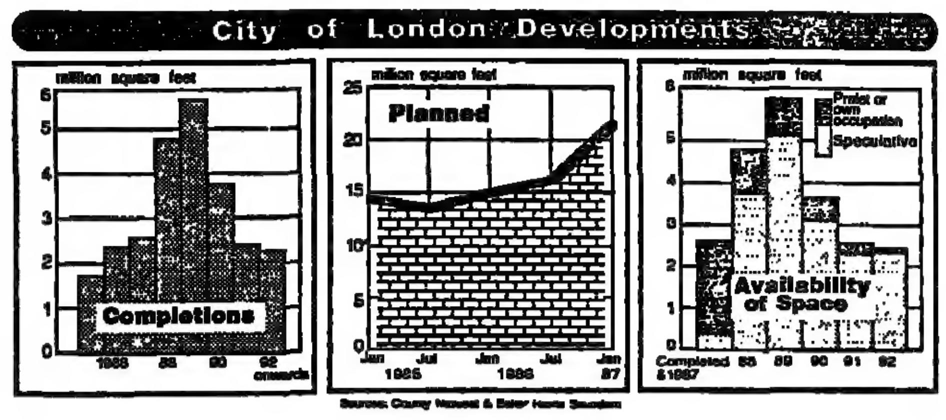
The two companies are negotiating the introduction of other products from the British company. They are also discussing the possibility of launching the Bernard Matthews brand name, with Mr Matthews himself appearing in the TV advertisements, as in the UK.

● Laura Ashley, the textiles, clothing and furnishings manufacturer and retailer, yesterday opened its first five Mother and Child shops in the US.

A sixth will open next month, and up to 70 Mother and Child sections—devoted to women and children up to the age of 12—will be opened in existing US Laura Ashley shops in the coming months.

Paul Cheeseright reports on a study of City developments

Office boom has sound foundations



Sources: County NatWest & Baker Harris Saunders

THE OFFICE boom in the City has a sounder financial base than appears at first sight, according to a study by County NatWest, the merchant bank, and Baker Harris Saunders, the City surveyor.

The central point is that more than three-quarters of the development planned and under way in the huge expansion of City building activity is in the hands of securely financed institutions and companies. Only 13.5 per cent of the development is being undertaken by property trading companies dependent on short-term finance.

The report, being circulated among clients of County NatWest and BHS, is a partial antidote to growing fears that the City boom has been showing dangerous signs of moving towards bust.

These fears centre on the belief that the rapid rise in rents cannot be sustaned long enough to justify the spiralling increase in land values, of which the sale of the Financial Times building for £143m is a prime example.

Expectations that office supply and demand will balance out from 1990 onwards have brought concern that highly geared developments would not attract enough rental income to finance the debt charges.

None of this worried the Stock Exchange. Property companies with City interests have enjoyed share share-price rises—at least until yesterday, when base rates went up.

But it has worried Mr Robin Leigh-Pemberton, Governor of the Bank of England. At the British Property Federation last May, he drew attention to the danger of off-balance-sheet financing disguising the liabilities of property companies. He warned banks, which have pushed up their lending to the sector, that the Bank of England was watching them carefully.

"Even very attractive security could be rendered illiquid if a downturn in the market were temporarily to curb demand for certain types of property," he said.

The County NatWest-BHS study accepts that rental growth will slow as more stock comes onto the market. But of the 22m sq ft of space in the pipeline at the middle of this year, it notes, 57 per cent is replacement for existing stock. "An expansion of 2 per cent per annum amongt City occupiers over the next five years would absorb all the net increase in stock."

On this basis, there is enough demand to underpin the financial commitment to the existing development programme.

The developments are broadly in three sets of hands.

The first, accounting for about 40 per cent of the total, is the UK corporate sector, where developments costing around £1.3bn are mainly undertaken to be retained as investments. Three quarters of them are being undertaken by six companies—Wates City of London, Rosehaugh/Rosehaugh Stanhope, MEPC, Land Securities, Hammerson and Greycoat.

Apart from Rosehaugh these companies have financing in place and balance sheets strong enough to enable them to retain the completed properties. Rosehaugh, according to County NatWest-BHS, can reach this position with two sales from its Broadgate project and has probably restricted its exposure to rises in interest rates through hedging in the futures market.

The second group is institutional investors and owner occupiers, whose proposals make up 38 per cent of planned developments. UK institutions will probably spend about £1bn over the next five years.

"This represents the most secure sector of City development because there is no reliance on third-party finance," says County NatWest-BHS.

The third group — usually seen as the shakiest — comprises the merchant developer property companies, which use bank borrowings and develop property to sell on. The most active, says the study, are London and Edinburgh Trust, Rivlin and Speyhawk.

Their City developments—2.7m sq ft—will require investments of £1.6bn, or £320m a year more than the institutions are planning to spend anyway, to purchase.

County NatWest and BHS estimate that total spending to buy out the merchant developers, pay for the Broadgate sales and fund the institutional investment is just under £3bn, or £600m a year over five years. Brought down to this scale, the study says there should be ready funds to absorb the sales of the merchant developers.

All this suggests that only limited investment over and above present levels is needed to absorb the City's immediate expansion programme, and carries further implications.

"The immediate need for unitisation (an investment market where the trading units are shares in a single property) as a new source of funding for the development trading companies appears to be overstated," the survey says.

Main bank lenders to the property market have been keen supporters of unitised property markets as a means of drawing in long-term investment, allowing them to keep their exposure on the market short term.

But, ultimately, all the calculations depend on the health of the financial services sector.

Expansion of the industry created the City boom. Contraction can end it.

Civil servants told to intensify efficiency drive

BY HAZEL DUFFY

SENIOR CIVIL servants have been told to intensify efforts to make the Civil Service more efficient. The move signals a further phase in the eight-year drive by the Prime Minister to make savings in the service.

Just before the general election Mrs Thatcher received a report from the Efficiency Unit, which answers directly to her. It concentrated on how improvements might be made "in the delivery of services to the public"—Civil Service jargon for finding ways the same service can be provided at less cost.

Many civil servants think the continued squeeze on resources available to the service means it is impossible to maintain services while cutting costs further. In some areas, such as London and the Home Counties, difficulties in recruiting clerical staff are near crisis point.

The unit's report has not been made public. The Prime Minister's office said that in considering ways that efficiency might be increased and management improved, "suggestions as to how this process might be developed in particular areas of difficulty are being examined in detail in a number of departments so as to provide the basis for consideration and decision by ministers."

The outcome will be collated and reported to the Prime Minister this year.

The unit's study was made when outsiders asked how the financial management initiative, launched by Mrs Thatcher in 1982, could be advanced.

Last month the Commons Public Accounts Committee called for an effort to accelerate the programme's implementation. The report of its investigation into the initiative—which is designed to improve the allocation, management and control of resources used by government—followed on a study by the National Audit Office. This had established that progress was very slow in some departments.

Both reports said clear objectives were not set for staff working on some programme activities — broadly speaking those which concern the public, such as social security. More progress had been made applying the initiative's concepts to administrative running costs.

Zircon spy satellite hard to track down

By Lynton McLain

THE ZIRCON spy satellite story is apparently over but nobody in Whitehall would even acknowledge the existence of the project yesterday, in spite of suggestions that it has been cancelled.

The Times newspaper said on Thursday that the project had been abandoned at a cost of £70m. Instead, "the Prime Minister and key Cabinet colleagues have decided to keep alive the idea of Britain having its own spy satellite by going ahead with a programme that will rely instead on American technology," it said. It gave no source for the story and government departments gave no clues yesterday.

Whitehall's attempts to avoid discussion of the project—or non-project—were an object lesson in protecting the nation's secrets, or perhaps classic obfuscation.

The Prime Minister's office said simply: "This is not something we are commenting on at all." Number 10 referred all calls to the Foreign and Commonwealth Office.

The FO began by saying: "We cannot say anything at all about it." But what was "it?" Well, said the FO, "we are the lead department on this matter."

What matter? "We are the government department that has spoken, albeit very briefly, on this matter but we cannot say anything at all about it. We cannot help, we have never commented on this.

"All Zircon stories have been speculation and we do not comment on intelligence matters," added the FO, which had not, in fact, been asked to comment on security and intelligence matters.

British Aerospace, supposed prime contractor for the supposed project definition study for the supposed spy satellite, said it was "not aware of the project"—then went on to say the project was not something it was able to comment on.

Ever helpful, BAe referred calls to the Ministry of Defence, which said: "We handed this over to the Foreign Office in January," adding helpfully: "You are up a bit of a gum tree with this one."

Peter Riddell examines the increasingly uncertain future facing the SDP

Democratic skirmish heralds a civil war

THE SOCIAL Democratic Party faces a prolonged civil war over its future. Yesterday's ballot result, producing a clear but not overwhelming majority for the principle of union or merger with the Liberals, was soon made to appear a preliminary skirmish rather than a crucial battle.

The initial comments about a "decisive" result from Mrs Shirley Williams, the SDP's president, were overtaken by the decision of Dr David Owen to resign as party leader and to lead a continued battle against merger.

A split within the SDP, which has looked increasingly likely over the past few weeks, has become a certainty. On one side, in favour of merger, are three of the original Gang of Four — the newly ennobled Lord Jenkins, Mrs Williams and Mr Bill Rodgers — Mr Charles Kennedy, one of the party's five MPs, a majority of parliamentary candidates, and 57.4 per cent of those voting in the ballot, although only 44 per cent of the total membership.

On the other side, arguing for a separate SDP, are Dr Owen, Mr John Cartwright, the party's whip, and, so far, the two other MPs — Mrs Rosie Barnes and Mr Robert Maclennan, the latter yesterday reserving his position — together with a number of key activists and a significant minority of the membership.

Dr Owen's decision to continue the fight makes the outcome uncertain since there are several more constitutional and political hurdles before any new party emerges.

S. Alan Harper

David Owen with his wife Debbie after his resignation.

The first question is the leadership. Under the SDP's constitution, nominations for any leadership vacancy during a parliamentary recess have to be submitted within three weeks.

Only an MP can become party leader and any candidate must be nominated by no less than 15 per cent of the MPs. If there is a contest, as there was when Mr Roy Jenkins defeated Dr Owen in 1982, there is a ballot of all party members. An MP can nominate himself.

It was uncertain last night whether there would be a new leader or whether the post would be left vacant during the negotiations, as was being suggested by some of Dr Owen's advisers.

The terms of the negotiations with the Liberals will be debated at the party's Portsmouth conference for a full day. The pro-merger Yes to Unity campaign will table a motion calling for a single leader and a more representative conference than the Liberals now have, one-member one-vote, and a national membership list.

Dr Owen said yesterday that he would not seek to obstruct the appointment of a negotiating team though his group plans a fringe meeting and he is expected to set out his views in a major speech.

The key battles will be fought at the end of the year after the negotiations, both in the party's national committee, where Dr Owen has so far had a clear majority, and then in late January in Swansea at the party's Council for Social Democracy, its representative ruling body.

Any constitutional changes require a two-thirds majority of the council. Dr Owen's allies hope and believe that this will not be forthcoming. Some supporters of merger in principle may object to a particular scheme. If union is blocked at this stage then Dr Owen may seek the leadership of the party again.

By contrast, the pro-merger camp argues that yesterday's vote may understate their underlying support since some SDP members may have been swayed by Dr Owen's high-profile campaign. On this view, some of the minority could swing behind the majority to avoid a further split.

It may also not be a smooth ride on the Liberal side. Mr David Steel, the Liberal leader, may be correct to claim a large majority in his party in favour of union but there is disagreement about the form of any new party. An influential group of Liberal activists and councillors yesterday fired a warning shot in a letter to The Guardian newspaper, arguing against any deal being presented by the party leadership on a "take-it-or-leave-it" basis. They also urged the rejection of "the centralist principles of the SDP constitution."

These doubts are likely to surface at the Liberal Assembly in Harrogate in mid-September when the party's negotiating position is debated and refined. This will be followed by a month-long ballot on the principle of merger with the SDP.

Mr Steel hopes to complete negotiations by Christmas, with the second and crucial ballots in February and the new party launched in March. There are likely to be lengthy and bitter battles before this happens, with the probability of a divided SDP with Dr Owen and his allies remaining outside. The most familiar parallels are the Liberal divisions of the mid-1880s and the Lloyd George era, both of which favoured the Conservatives.

Owen's resignation seen as 'honourable move'

BY TOM LYNCH

MR DAVID STEEL, the Liberal leader, described the resignation of Dr David Owen as SDP leader as "a logical and not surprising development, which I nevertheless regret."

He repeated his view that Dr Owen's attitude towards a merger of the two Alliance parties was "profoundly mistaken."

He said he wished Dr Owen was to be involved in the new party rather than "going off to form a less effective fourth force."

Mr Steel surprised many commentators when he said in a television interview: "There is a strong case for somebody who is not David Owen and is not David Steel being leader of a merged party."

However, one of his senior colleagues, Mr Paddy Ashdown, MP for Yeovil, had earlier made it clear that "if David Steel delivers a merged party and does not then go into the wilderness, then David Steel will be the leader of that party."

Mrs Shirley Williams, the SDP president and a leading pro-merger campaigner, said she understood Dr Owen's decision to resign but regretted it.

She welcomed his acceptance of the ballot result and called for a new party "to preserve the contribution the SDP has made to British politics and enhance it with the strength of the Alliance between the Liberal Party and ourselves."

Mrs Rosie Barnes, the MP for Greenwich who has taken a prominent part in the anti-merger campaign, said: "It is very sad that Dr Owen has been put in this position, but in view of the vote it was the only honourable thing to do."

She said the SDP would continue and she hoped Dr Owen would ultimately be re-elected as leader. She and her allies would not indulge in "sabotage or guerrilla tactics" during the negotiations, but she hoped that many of those who had voted for merger would look carefully at what the negotiations produced.

Dr Owen's resignation was seized on by Mr Norman Tebbit, the Conservative Party chairman. "The SDP's membership has spurned and rejected the one political figure in the 'Alliance' who has grasped the transformation of society since 1979."

For Labour, Mr Bryan Gould, the shadow Trade and Industry secretary, appealed to "genuine radicals" to consider joining Labour, arguing that it was united behind Mr Neil Kinnock — in contrast to the "factionalism" of the SDP.

Mr Steel and other senior Liberals were quick to welcome the ballot result as were pro-merger campaigners within the SDP, even though it fell short of delivering the 60-40 majority they had hoped for.

Mr Steel looked forward to completing discussions on the structure of the new party by Christmas with the launch next year of a "clear and united alternative to Thatcherism and socialism."

He said the ballot had produced a "very substantial expression of support by the grass-roots membership of the SDP for the democratic union of Liberals and Social Democrats in a new party." He was confident Liberals would support merger.

"What we must do now is to proceed deliberately but with urgency to agreement on how to set the new party up in such a way that it combines the best of the Liberal Party and the SDP."

Mrs Williams said the result was "a decisive vote for uniting with our Liberal allies. I very much hope those who have opposed a union of the two parties will now agree to work for its success or at least not to obstruct it."

Mr Alec McGiven, organiser of the Yes to Unity campaign, said he was "pretty satisfied" with the ballot result. "We consider it to be a mandate to go ahead with the negotiations."

Mr Charles Kennedy, the only one of the five SDP MPs to favour a merger, appealed for "a period of peace and quiet" until the party's conference, which begins in Portsmouth at the end of this month.

He warned that "the understandable apprehensions that currently exist within the SDP" should be recognised in the package emerging from the talks.

Mr David Alton, the Liberal chief whip, said Liberals should insist that "the decentralised federal structure of the Liberal Party is an essential ingredient in any new party."

IBA plan for independent producers wins support

BY RAYMOND SNODDY

INDEPENDENT television producers yesterday gave a qualified welcome to plans announced by the Independent Broadcasting Authority to give them greater access to the ITV system.

The ITV companies, which say they have already commissioned £20m worth of independent production, also pledged their support.

The authority said yesterday it expected to see an increasing amount of independent production commissioned by the ITV companies between now and 1989. This could lead to the transmission in 1989 of between 175 and 225 hours of new networked material and between 200 and 400 hours of new regional material.

The authority's move is in response to government determination that independent producers should win access to 25 per cent of the output of the four national television channels.

The IBA, which has been in talks with the ITV companies and independent product groups since March, said yesterday it acknowledged the Government's wish but was not specific on hours.

The authority said an independent production company should be separate from an ITV company, an ITV subsidiary or the BBC in "ownership, management and control."

It recognised that in some parts of the UK difficulties in raising money might mean accepting financial help from ITV, but "this would not normally require any ITV shareholder or board membership."

The IBA also said yesterday that, as a principle, independent producers will be able to specify the terms of overseas sales and ancillary rights in the programmes they make. The ITV company would not, however, be excluded automatically from a share of the benefits of such an arrangement.

Ms Sophie Balhachet, chairman of the Independent Programme Producers' Association, said yesterday there was just enough in the document to set the agenda for further talks.

Mr David McCall, chairman of the Independent Television Companies' Association, said the IBA statement safeguarded "the inherent rights of both the independent producer and the funding company."

It is not clear, however, whether the Home Office will think the IBA has offered enough specific commitments on hours to take the independent producers towards 25 per cent of ITV time.

In its document the IBA warned that it was reserving the right to include requirements for independent production on ITV in new contracts which will run from the beginning of 1990 to the end of 1992. To protect local jobs, ITV commissions for regional programmes should go to regional-based independent producers.

Inquiry urged into British Coal jobs agency

By Charles Leadbeater

THE COMMONS Public Accounts Committee should investigate British Coal Enterprises, the job-generation agency set up by British Coal, Mr Dennis Skinner, Labour MP for Bolsover, said yesterday. He claimed figures on the number of jobs it has created were misleading.

Mr Skinner said many of the jobs that the agency claimed to have generated were actually the product of investments in special development areas by enterprise agencies and local authorities.

He said the committee should examine how much double counting there was in the organisation's claims as part of an inquiry into its effectiveness.

The agency denied the accusations. It said it had always made it clear that it helped create jobs in conjunction with established job-generation agencies in the coalfields.

It said that in slightly more than two years it had invested about £33m in 1,400 projects which had helped create more than 20,000 jobs.

Agency figures show that its contribution amounted to about 14.5 per cent of the £185.7m which came from all sources to fund these projects.

On a pro rata basis this would mean that British Coal's investment accounted for about 2,334 jobs.

Europe to 'push on with space programme'

EUROPE WILL press on with its space programme with or without Britain, Mr Reimar Lust, head of the European Space Agency said yesterday.

He said: "It still cannot believe that the UK would not play an important role in the European space programme but it is my duty to advise the member states that they have to take decisions regardless of whether the UK is in a position to participate or not.

Mr Lust was speaking in London after meeting Mr Roy Gibson, director-general of the British National Space Centre until he resigned earlier this week after the Government refused to increase spending on space projects.

The resignation sparked a row with warnings that Britain had abdicated from space and might be left to supply only the nuts and bolts for the Hotol space plane.

Mr Lust said he regretted and respected Mr Gibson's decision to resign, adding: "It was a courageous decision but I cannot believe that the UK Government will lose its most respected person in space management.

Advice on export aid called for

BY NICK GARNETT

THE DEPARTMENT of Trade and Industry should set up an advisory body to recommend ways in which the Government can provide further long-term assistance to British exporters of capital equipment, the Council of Mechanical and Metal Trades Associations says in a report published today.

The council has submitted a paper to Mr Alan Clark, the Trade Minister, recommending a strategy for helping exporters together with changes in the way aid facilities are administered.

The submission says: "The British Government does not have a strategy for manufacturing industry over the coming years.

"Unlike many competitor countries, it has left industry to wither or develop according to market forces. The days are long gone when British industry can secure business in capital goods overseas without active collaboration with Government and its posts abroad."

The council, which has 18 member trade associations claiming to represent 1,400 companies, adds that the co-ordinating body for a national export strategy should be the Department of Trade and Industry.

The council suggests that the advisory body should include export directors from a large and a small manufacturing group, an export market research consultant and managers from transport and freight forwarding companies.

It should also have taxation and banking experts as well as a finance director from a manufacturing company.

The council argues that existing trade aid provisions should be administered only by the department, that application forms should be simplified and that government regional offices should more actively promote trade aid provisions.

Sinn Fein prints Spycatcher excerpt

FINANCIAL TIMES REPORTER

REPUBLICAN NEWS, the propaganda sheet of Provisional Sinn Fein, has become the first newspaper in the UK to print an uncensored excerpt from the banned book Spycatcher, by ex-MI5 officer, Mr Peter Wright.

The weekly paper, which claims a circulation of more than 40,000, is printed in Ireland and distributed mainly in Ulster.

The excerpt is the same as one published in censored form on the front page of The Observer newspaper. The Observer complied with various court injunctions and blacked out parts of a page of the book.

Republican News is freely on sale in nationalist areas of Northern Ireland and about 2,000 copies were due to be sent to England for distribution yesterday.

The Attorney General's office would not comment on whether any action would be taken against the newspaper.

The paper regularly gives updates on the IRA's campaign under the title War News.

East Midlands airport makes £3.48m profit

By Michael Donne, Aerospace Correspondent

EAST MIDLANDS International Airport made an operating profit of £3.48m in the year to March 31, up 28 per cent on 1985-86 and its second-best figure. The previous best was in 1984-85, when profits were £3.55m.

Passengers totalled 1.14m, up 22 per cent, while air cargo was up 35 per cent to 20,188 mertic tonnes.

Of the profit, £2.4m will be distributed to the airport's local authority shareholders—Derbyshire, Leicestershire and Nottinghamshire county and Nottingham city councils.

The authorities will receive another £1.35m to meet the cost of financing their investment in the airport. Up to March 31, investment in the airport over its 22-year history amounted to £16m.

The airport's assets were revalued on April 1, when it became a public limited company. They are estimated to be £44m at current prices.

BBC announces £40m TV programme package

BY RAYMOND SNODDY

THE BBC yesterday announced a £40m package of television drama and serials for the autumn and winter with an emphasis on family entertainment.

There is little sign of potentially controversial productions such as The Monocled Mutineer or The Singing Detective in the line-up but Mr Jonathan Powell, head of the television drama group, said the corporation was not deliberately trying to avoid controversy.

He said: "If fiction is to be both imaginative and unique then on occasions it must be contentious. We look forward to playing our part in maintaining the place of fiction at the heart of our society with a full commitment to a wide-ranging and vigorous array of films, plays, series and serials."

BBC crews went to Austria, Switzerland and Greece to film a seven-part serial of John Le Carre's bestseller, A Perfect Spy.

A series of Gerald Durrell's book My Family and Other Animals was filmed in Corfu with Hannah Gordon and Brian Blessed. A dramatisation of Olivia Manning's novels, The Balkan Trilogy and the Levant trilogy will also be screened.

An interest rate shock that may soothe the nervous

Janet Bush on the reasons behind yesterday's surprise Bank move

THE BANK OF ENGLAND'S move yesterday to force borrowing costs up by one percentage point yesterday came as a shock to financial markets but could, in the longer term, settle the nerves of those who have been increasingly worried about the economy overheating.

Before yesterday's move, domestic money market interest rates had been easing back, the Government bond market had started to recover its poise after precipitous recent falls and the pound did not seem to be under strong downward pressure.

The immediate assumption, which pushed gilt-edged prices down by 3 points and sent the equity market plummeting to its largest recorded daily fall on the FT-SE 100 share index, was that the rise in interest rates was timed as a pre-emptive strike before the delayed June trade figures appear next Tuesday.

The logic behind this view seems to be that the trade figures will be worse than expected. If this proves to be the case, the tactics of the authorities seem suspect.

If the Government were expecting a very bad set of trade figures, it seems unlikely it would raise interest rates now and risk being forced into another increase by an adverse market reaction to the figures.

Mr Nigel Lawson, the Chancellor, stressed yesterday that the decision came in response to monetary conditions as a whole and refuted the suggestion the timing of the move implied a comment on the trade figures. He said the one point rise in base lending rates signalled yesterday was quite sufficient on domestic monetary grounds.

It has been known for some time that the Treasury and the Bank have been concerned about monetary trends in the economy. This was obvious from the extreme caution exercised when interest rates were being forced lower in the run-up to the election and the stout resistance to even lower rates.

The enormous pre-election speculative flows into sterling, coupled with the Government's policy of maintaining a stable exchange rate, forced the authorities into conceding lower interest rates. It is believed that the authorities in general and the Bank in particular were unhappy with those two cuts on domestic monetary policy grounds.

Yesterday's one point rise in base lending rates in effect reverses the two half point cut in interest rates in late April and early May, setting monetary policy back on track.

There appear to be three overriding reasons why the authorities chose to act on interest rates when they did.

First, market interest rates were already showing an upward bias. Money market rates had moved clearly above the 9 per cent base rate level as speculation grew that the authorities would err towards tightening policy in response to concerns about a possible build-up of inflationary trends.

By acting before market pressure for an upward move became overwhelming, the authorities have gained a presentational advantage. A proactive rather than reactive move suggests the authorities are in control and this should instill confidence in markets.

Second, the rise in interest rates pre-empts the appearance over the next fortnight of a series of official figures which are expected to show some worsening in price trends. Monday's producer prices figures are expected to show an upward lurch in industry's input prices and perhaps even signs that manufacturers are starting to edge up their factory gate prices.

Next Thursday, the Employment Department publishes its latest figures on unit wage costs and average earnings. Financial markets have been concerned in recent weeks that the underlying rate of average earnings may rise again to 8 per cent. It was the rise in the underlying rate of average earnings growth to 7¾ per cent over the last two months from 7½ per cent which first sparked worry in markets about inflationary trends.

A week later, July's provisional money supply figures are widely forecast to show a jump in M0, the narrow money supply aggregate, to a year-on-year rate of more than 5 per cent—clearly at the upper end of the Government's 2 per cent to 6 per cent target range and above the growth rate which provided justification for last October's rise in base rates.

It seems clear that the Bank and Treasury have not reacted to one indicator of monetary trends more than any other but that, taking an overall view, monetary policy was felt to be erring on the loose side given the strength of current economic growth and worsening trends in, for example, such world commodity prices as oil.

The third and probably the prime key to the timing of yesterday's move was sterling's recent gradual slide away from what is perceived to be the Government's policy ceiling of DM 3.00.

Whitehall officials stressed yesterday that the decision to raise interest rates did not indicate any change in current policy on the exchange rate. The authorities are still keen to keep a cap on sterling's value to protect the competitiveness of British industry and keep to the spirit of the Louvre accord on stabilising currencies.

Sterling's slight vulnerability has partly been due to concerns in the gilts and equity market about the British economy overheating but it has also been tied to speculative dollar strength because of tension in the Middle East.

Its decline in recent weeks has given the authorities some scope or "headroom," as one senior official put it. A big concern about the timing of any interest rate rise, which has apparently been under discussion for some time, was the risk of too strong a bounce in the pound.

Nigel Lawson—denies move to pre-empt trade figures

As it was, in spite of a three-point fall in gilt prices and the rout on the stock market, sterling's trade weighted index yesterday closed unchanged from Wednesday's close at 72.1.

Fire damage costs £120m

By Eric Short

FIRE DAMAGE costs were £120.1m in the second quarter, according to Association of British Insurers figures out yesterday.

More than 25 per cent arose from two factory fires in June: one in south-west England caused estimated damage of about £25m; another in Fife accounted for £7.25m.

Total costs were slightly lower than in the first quarter and about £10m lower than for last year's second quarter. First-half damage costs, £241.7m, are £6m higher than those for last year's first half.

Opencast mining

IN THE article on opencast mining in Wales published on August 4, the reference to Merthyr council should have read that it was "desperately trying to attract new industry . . . and believes it will not succeed if the attractive wooded hillside . . . is ripped apart by dirty, black workings."

The reference to the average value of opencast coal, later in the same article, should have read: "At £41 a tonne, the cost of opencast coal, (British Coal) can supply it to the CEGB at £1.41 a gigajoule."

THE PROPERTY MARKET

BY PAUL CHEESERIGHT

Water, water everywhere

PETER GEROLD specialises in narrow strips of land—"2000 miles long and five yards wide" is how he puts it, "but it does widen out occasionally."

He is director of estates at the British Waterways Board, a body better known these days for the recent departure of its chairman, Sir Leslie Young, and the pasting it received from the Monopolies and Mergers Commission for management shortcomings.

But where the land "does widen out occasionally," the board is becoming a property developer. The canal basins it controls are attractive to the private sector, opening up the way to joint ventures. For the board, Mr Gerold can capitalise on the fact that "its the thing now to live or work by water."

The board is like other public or recently privatised bodies which have discovered a land resource for exploitation—Associated British Ports, National Freight Corporation, British Rail, and the regional health authorities.

And there is a great deal of land available. The board has 309 acres which are classified as "non-operational estate." Investment property is in the books at a value of £39.8m but that savagely understates the commercial possibility.

If the board sold land, in the books on a nominal value, at the Limehouse Basin in London Docklands, it would probably receive £1m an acre. If it sold land in the Paddington Basin in west London it would probably receive £2m an acre. Developed, as the board intends, the land values would rocket.

Mr Gerold's job is to cerate more income for the board from the land it owns "by selling, developing or leasing."

Sales in the financial year to last March had to meet a Department of Environment target of £1.5m. For the current year the target is £2m. Investment properties produced rents in the last financial year of £4.9m, up from £4.89m the year before.

But it is development that is raising the board's profile. And Mr Gerold has been given some encouragement to get on with it through an unusual arrangement with the Environment Department.

For the last two years the board has been permitted to retain capital receipts. They do not have to go back to the Treasury. At least not immediately. They can be kept for 12 months for investment in joint venture companies that are approved by the Environment Department.

The board thus has some degree of flexibility. It is not solely dependent on putting the land into a joint venture. It can take some corporate financial responsibility, and hence has the possibility of obtaining higher income.

But the board's stake in a joint company cannot be higher than 49 per cent. Once the joint company has been formed it can borrow on the open market for development. The board will not take full financial responsibility because if the joint company should fail that might affect its external funding limit—the amount it can borrow from the Government, currently set at £30m.

"The joint company has to be able to go bust without costing the Government anything," said Mr Gerold. The board's security for its share of the funds a joint company raises is secured on the land the board puts into the project.

And there is the basis of any partnership the board might enter. It puts in the land. The developer puts in the expertise, raises the funds and brings the project to fruition.

"The idea eventually is to make enough with joint ventures so as not to be so dependent on a government grant," said Mr Gerold.

The way things have changed can be seen at Gloucester Docks. Before the new arrangements with the Environment Department, the Board undertook the rehabilitation of the docks with Pearce Developments of the Crest Nicholson group. It receives a guaranteed ground rent or a percentage of the rack rents, whichever is greater. It came to £400,000 last year for the main dock.

But the next stage at Gloucester will involve a hotel and conference centre. For this the board is holding talks with Brent Walker about a joint company development.

Not that straight lease agreements are ruled out. Outline planning permission has been received for Britain's first floatel on board water at Northwich. This is a floating hotel built on pontoons, planned at Gerald Brabham.

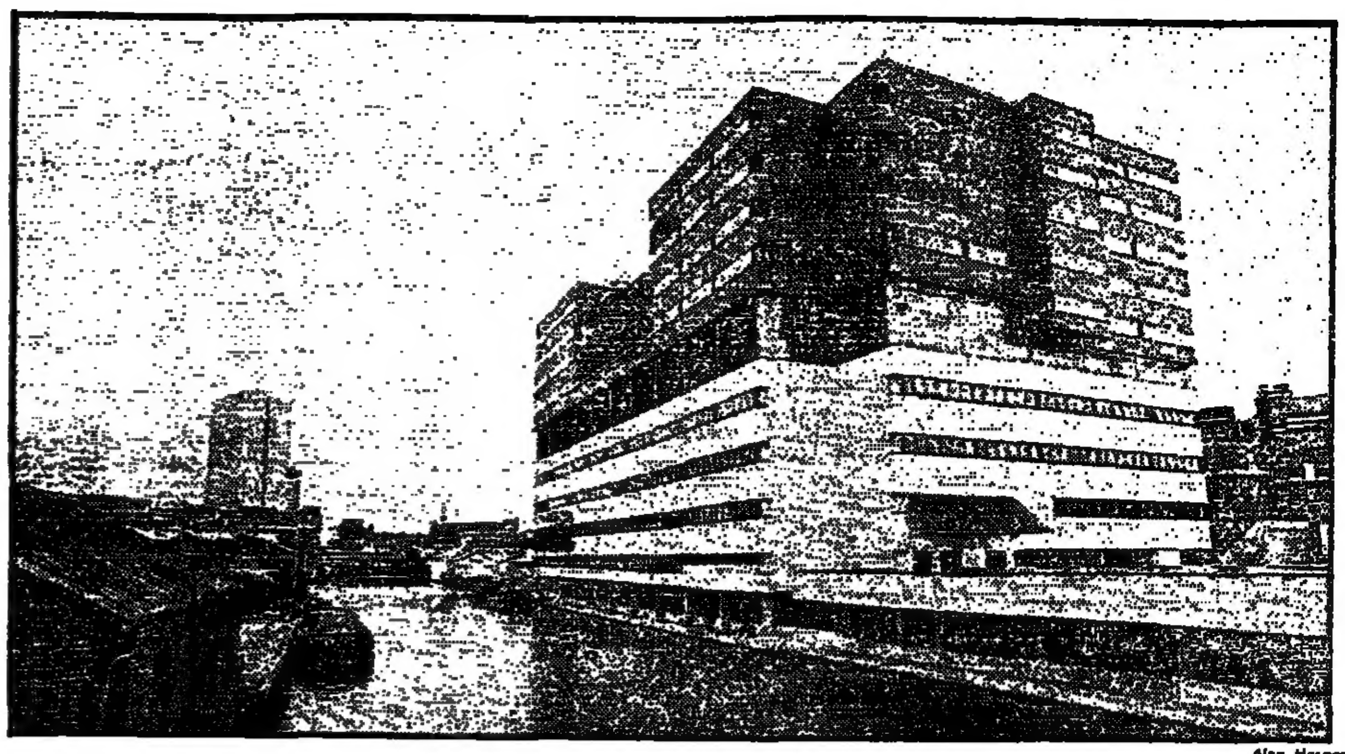
It is not the sort of speculative venture that is likely to have the Envinorenment Department rushing with approval for board participation in a joint company. Mr Gerold has opted for a lease agreement.

The main focus of the board's development activity is on the Paddington Basin, Milton Keynes marina and associated housing and offices with Erostin, the redevelopment of the Leeds basin in a joint company with Leda Securities, the redevelopment of the Sheffield basin with the City Council and Shearwater and the Limehouse Basin marina and housing venture with Hunting Gate.

There are smaller schemes at Chester, Coventry, Stourport, Worcester, Brentford Lancaster, Manchester Brecon, Trowbridge and Lichfield.

And it is all more hardheaded than it used to be. The board wants cash. "Gone are the days when you'd throw value away," said Mr Gerold. "Gone are the days when you'd sell build land just like that.

"If I'm selling land for building and it's got planning permission then I agree with the purchaser the price of his houses and then I want a percentage of the excess over and above," he said.



Alan Harper

PADDINGTON BASIN as it is now. In a few years it could be surrounded with more than 300 homes, 107,600 sq ft of industrial space, 188,350 sq ft of shopping, 231,400 sq ft of offices, and perhaps a marina.

This is the jewel in the board's development programme, at £200m its biggest venture. Outline planning permission has been granted after lengthy talks with Westminster City Council that led to modifications of the original master plan.

All that remains of the preparatory phase—and it is a big "all"—is to come to an arrangement with existing leaseholders on the 13-acre site, like Selfridges, Sandell Perkins and the Post Office and negotiate a joint venture with a developer.

"By the end ofthe year, hopefully, we'll have a partner," said Mr Gerold.

The developers are queuing up, nearly 30 of them, including, according to Mr Gerold, London and Edinburgh Trust, Wimpey, Laing, Arrowcroft, Speyhawk, and a couple of building societies. Priests Marian is known to have been looking at the site for a long time.

The matter has been complicated by a suggestion from Rosehaugh Stanhope, backed by the North West Thames Regional Health Authority which holds land next door, that the two sites should be pulled together for a bigger development than that proposed by the board.

"We've not slammed the door on them," said Mr Gerold, but he did not appear very enthusiastic about keeping it open. "We want to get on with it. We'd rather have six on a short-list than be settled with just one partner."

He said the development contract would not be advertised. A short-list of developers would be drawn up and each company would be asked to make a presentation.

Public Notices

International Property

MANAGEMENT

Ariston

How Vittorio Merloni is aiming to make up lost ground

Christopher Parkes assesses the Italian white goods manufacturer's hopes of becoming a frontline player in Europe

VITTORIO MERLONI paid a high price for the honour of presiding over the Italian employers' federation in the early 1980s.

His four years at Confindustria, he reckons, cost him about £12m and a unique opportunity to thrust his company into the front rank of the European appliance industry.

"I should have decided not to be president of Ariston while I was president of Confindustria," he says.

Although the recession had its impact, Merloni Elettrodomestici — Ariston is the group brand name — would have emerged between L20bn and L30bn better off, Merloni insists, had he been able to concentrate fully on his family business. He would also have bid strongly for Zanussi, and might well have moved more quickly towards flotation of the family-controlled company.

Recession had forced the appliance industry into rationalisation and consolidation. Zanussi had been snared by Electrolux of Sweden, to put it well on the way to becoming the biggest appliance maker in the world. Indesit, Italy's other leading name, was tottering, and Ariston was standing still.

The company had emerged shaken from recession, and Merloni came back to his desk greatly stirred to make up the lost ground.

Merloni's response was to crank up manufacturing and marketing efficiency in his home base—and to send for the cavalry. It came from Europe and Japan in squads of technological, management and financial advisers whose handiwork is now evident in every department in the company.

Computer-aided design is halving idea-to-production time to two years, automated production is being stretched to its limits in all five Italian plants, and screens on every office desk signal the installation of an integrated information system which reaches from the factory floor to Merloni's desk.

One vital introduction is a treasury department, which covers an entire floor in the company's headquarters at Fabriano, central Italy.

The treasury is playing the leading role in the switch from financing expansion through cash flow and debt growth to a bigger capital base and access to international money markets via stock exchange listings. As a result of its efforts, the cost of finance, which totalled 6 per cent of turnover in 1983, will be less than 3 per cent this year.

Following a recent 25 per cent listing on the Italian stock exchange, the company is seeking to establish itself elsewhere. In London, for example, it is being advised by Hoare Govett in consort with the Swiss Bank Corporation on the best route to a quotation.

Between now and the end of the decade, the company plans to invest L15bn (£7m) on research and development and well over L150bn on further refining its manufacturing facilities and data systems.

It is aiming high. Ariston plans to double its share of the European appliances market to almost 10 per cent in the next few years.

This target, not exactly plucked out of thin air, is based on a Merloni rule of thumb—one of the few old-style management practices still at work in Fabriano. "You need to be one-third the size of your biggest competitor to be properly competitive," he says.

Electrolux, with Thorn EMI's appliance business in its portfolio since June, now accounts for about 25 per cent of the European market, and Merloni can see this advancing to 30 per cent.

NO 16—8/8½

Philips of the Netherlands, to which Ariston attributes only a 10 per cent share at present, is in venture negotiations with Whirlpool Corporation of the US. Organic growth and acquisitions could take it on to some 20 per cent, he feels.

Ariston has clearly analysed its main competitors' practices, and adopted their marketing principle of "think global, act local."

Acting local—with products customised, priced and built to suit a specific market's needs—has greatly bolstered the company in its home market. From a flat base of an 8 per cent share in Italy during the first few years of the 1980s, when Merloni was distracted at Confindustria, Ariston has sprung to the top of the pile.

It now claims to supply 15 per cent of the white goods sold in Italy, compared with 23 per cent for Zanussi, and about 13 per cent each for Candy and IRE, the Philips subsidiary.

Thinking global—or at least European — is essential for Italian appliance makers. The national output of 13m appliances a year is second only to the 18.5m turned out annually in the US, and two times as great as production in West Germany.

With 38 per cent of European production within its borders and a home market which accounts for only 16 per cent of European demand, Italy has some 8m appliances a year for export. More than 40 per cent of Ariston's sales are made outside Italy.

However, the only big markets where there is a significant production deficit are the UK and France. Britain, for example, makes some 3.2m appliances a year for a market which demands 5.5m. The gap is smaller in France, but, as in the UK, it is vigorously attacked from all quarters — notably West Germany, Spain and Italy.

The British deficit is being reduced by the efforts of domestic producers such as Hotpoint and Hoover, which for the moment are "acting local" with a will. The French market is depressed.

Although Ariston claims to be making headway, with total sales up 16 per cent in the first four months of this year, company officials acknowledge that they have lost ground in the UK washing machine market.

The company has identified a strong brand image as essential for success in the 1990s and advertising and marketing figure strongly in its medium-range development strategy.

Its flexible manufacturing systems are being extended and stretched to the maximum to meet the demand for innovation — another of the Ariston critera, and a traditional Italian strength.

Already producing 1,000 different models and versions of appliances, the company will increase the range to more than 1,400 by the end of the decade. This year 15 per cent of sales will come from new products such as multi-purpose, multi-fuel cookers and the Four Seasons fridge-freezer which includes several compartments each with its own "micro-climate." In 1988 the figure is scheduled to be almost 50 per cent.

One of the first white goods specialists to introduce automated production, Ariston currently boasts output figures of 740 appliances per man per year—about double the performance of Zanussi and IRE.

However, there are clear constraints. Production rates of appliances are restricted by the limits and high cost of technology. Although Ariston and others are striving to introduce more robotics in the labour-intensive assembly operation, blow to the hopes of smaller studies by General Electric of the US suggest that around 1,000 appliances a man is the upper limit at which the costs of the technology start to accelerate exponentially.

There is still some way to go before any manufacturer reaches this point.

What Merloni's company lacks in economies of scale, it aims to make up in efficiency at all levels. Failure costs—the price of what is currently known as "non-quality" — amount to L14bn a year, largely made up of mechanical faults, cabinet flaws and including the manpower and testing equipment costs associated with prevention and process control. This will be halved, Merloni states.

Manufacturing and raw material costs account for some 48 per cent of the final value of Ariston machines. These, too, will be pared down, although Merloni admits there is little anyone can do about reducing other end-value components such as VAT, distributors' margins, distribution costs, promotion, delivery and installation.

There is little slack in the system, so physical growth is essential if Ariston is to reach its market share target. Even then the pressure will continue, if only because Electrolux and Philips are unlikely to stand still.

"Our solution will be the least expensive one," says Merloni. He will expand by acquisition, but only if it costs less than organic growth. Since buying the British Colston business in 1979, Ariston has made a few forays into acquisition.

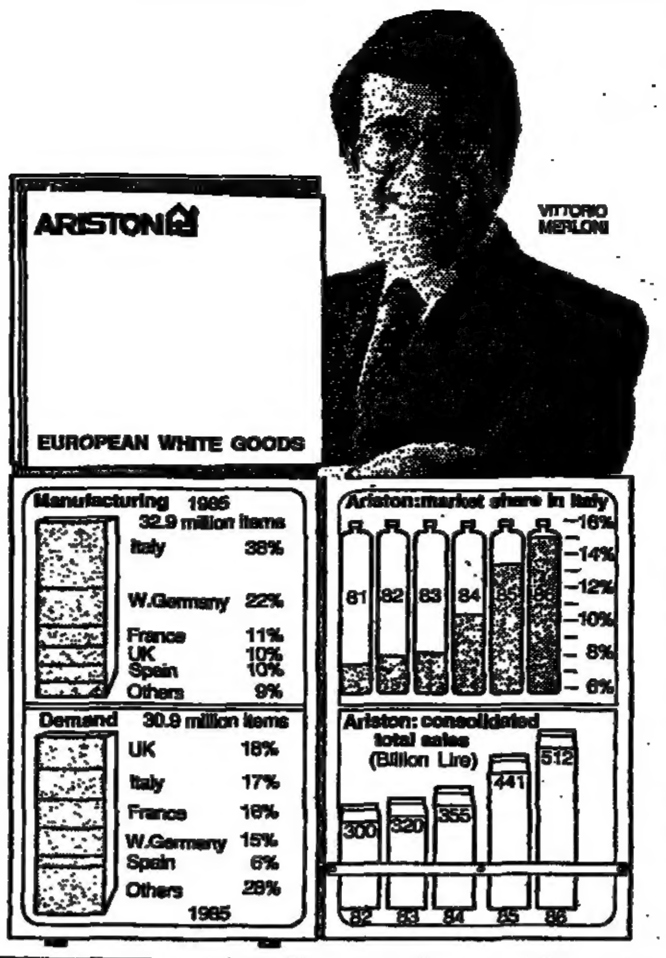
That appears to be changing. The company recently took a 33 per cent stake in Philco, another Italian company, and has joined the bidding for the fading Indesit business.

Like others who are showing interest, Merloni seems to want the manufacturing plant rather than the brand. The value of the Indesit name, he says, has been eroded by "bad will."

Ariston was out-manoeuvred by Electrolux in the recent auction for Thorn EMI's British appliance business. But Merloni sees plenty of other opportunities.

However, Ariston seems to have ambitions grander than finishing in the shallows. If he could get his hands on the white goods arm of AEG of West Germany, Merloni says, his growth target would be reached in one stride.

"And why not Philips-Ariston?" he muses fancifully, raising the prospect of another companies which are still thinking and acting local.



Altruism with a dual purpose

Charles Leadbeater explains why Digital Equipment is sending staff back to school

WHILE schoolchildren revel in their summer holidays, managers at the UK subsidiary of Digital Equipment Company, the computer manufacturer, are preparing for their first day back at school for a long time.

A small group of managers will be overseeing the £1m budget for the DEC College, launched last month, which will run a series of programmes in the coming school year to promote greater awareness of information technology among pupils. The college will not have classrooms or a playing field. Rather the staff will act as co-ordinators to expand DEC's links with the education system at all the company's locations.

The initiative for the college resulted from a meeting of senior DEC European managers two years ago, which identified a shortage of skilled manpower as one of the main business risks the company would face in the 1990s. The company also realised that its opportunities for growth would be linked to growth of the overall market rather than an increase in its share.

The DEC College will attempt to promote schoolchildren's interest in the kind of skills they might need to become future employees of the company. But it also aims to encourage children — the computer users of the future—to enjoy using information technology.

The company will spread its message through three main initiatives. It will be supporting the programme run by Understanding Industry, a charitable trust, which encourages schools to set aside 12 hours of teaching time, every eight weeks, to allow children to participate in a series of exercises which promote an understanding of industry.

Employees with children at local schools will be encouraged to give presentations on the company at assemblies and parent / teachers association meetings.

Barry Seward - Thompson, DEC College's Principal, explains: "Many people want to do this kind of thing but have not got the resources. Our aim is to give them professional presentations to use." Seward-Thompson also hopes to encourage managers to take more teachers and pupils on work experience programmes.

The company is also working with the group of Southern Examining Boards with the aim of introducing information technology modules into GCSE examinations, for all subjects—not merely the sciences.

Says Seward - Thompson: "Training, education and development; it is not a frill, it is not one-off spending. It is not an investment, it is a running cost of the business which we cannot do without."

Business courses

Corporate marketing strategies, London. September 3-4. Fee: BFr 90,000 non-members, BFr 81,000 members (AMA/I). Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels (Belgium). Tel: 32 2516 19 11. Telex: 21 917, 61 748. Telegrams Manacentre. Fax: 32 2 513 71 08.

Strategy: prospect and retrospect—seventh annual Strategic Management Society conference, Boston. October 14-17. Fee: Members US$400; non-members US$450; guests US$120. After August 15 members US$450; non-members US$495; guests US$120. Details from Catherine McLaughlin, SMS Conference Co-ordinator, Harvard Business School—Morgan 41, Boston, MA 02199, USA.

Publishing for optimum profit, Budapest (Hungary). November 25-26. Fee: SFr 920 ESOMAR members, SFr 1,100 non-members. Details from ESOMAR Central Office, J.J. Viottastraat 29, 1071 JP Amsterdam, the Netherlands. Tel: (020) 64 21 41. Telex: 18535 ESMAR NL. Fax: (020) 64 29 22.

Maintenance management, Brussels. November 23-24. Fee: BFr 70,000 non-members, BFr 63,000 members (AMA/I). Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels (Belgium). Tel: 32 2 516 19 11. Telex: 21 917, 61 748. Telegrams: Manacentre. Fax: 32 2 513 71 08.

TECHNOLOGY

Power fusion in search of a pay-day

David Fishlock reports on efforts to put Britain's nuclear research on a more commercial footing

John Collier, chairman of the AEA, is convinced that the UK nuclear industry is unlikely to grow fast enough to shoulder all the costs still being met by the taxpayer. He therefore wants to attract more non-nuclear R & D contracts.

KEY MANAGEMENT changes have just taken place at the UK's Atomic Energy Authority, heralding a significant further step towards putting what is one of Britain's biggest research and development agencies on to a more commercial footing.

The restructuring also provides the opportunity for the AEA to draw closer together its seven research and development centres. Until now, its northern establishments have tended to concentrate almost exclusively on operating within the nuclear industry. In contrast, those in the south, particularly Harwell, recognised much earlier that Government funding was unlikely to continue to cover their needs and that they would have to cultivate business in non-nuclear industry to generate more income.

The ground for change was laid last year. Then, the Government decided to place the AEA on a quasi-commercial trading fund basis — a sort of half-way house between being wholly funded via an annual parliamentary grant and having to generate its own income in the marketplace.

For the moment, much of the authority's nuclear programme —£200m last year—is paid for by the Department of Energy. This includes the underlying research—representing its more fundamental studies at Harwell —which is levied as a 10 per cent charge on most of its other nuclear programmes.

John Collier, chairman of the AEA, is convinced that the British nuclear industry is unlikely to grow fast enough to shoulder all costs still being met by the taxpayer. He wants to attract more nuclear and non-nuclear R and D contracts from customers other than his three main industrial patrons. These are the electricity supply industry, the National Nuclear Corporation (as reactor design and construction specialists) and British Nuclear Fuels.

These three currently provide, either directly or indirectly through the contribution from the Department of Energy, about three-quarters of the AEA's income.

In its first year as a trading fund, the authority achieved the profit levels and financing targets set by the Government. Its non-nuclear income of nearly £40m last year came from activities as diverse as enhanced oil recovery, assessment of systems for Royal Marine assault ships, and carbon-dating of the Turin shroud. It has also organised 30 research clubs of mainly industrial partners collaborating in the transfer of technology.

Under Collier's new management structure all the establishments will report to the authority's London HQ. The drawing together of northern and southern establishments has been facilitated by the retirement earlier this summer of Cliff Blumfield, as director of the Dounreay Nuclear Establishment in Scotland, and of Tom Marsham of the northern division last month.

Collier himself, temporarily, is taking responsibility for the fast reactor programme, not least because the Cabinet Office scientists—who are weighing priorities in the national R and D programme—have been showing keen interest in a major expenditure still not expected to bear fruit commercially before the next century.

But under his new management structure, responsibility will eventually be divided between all three of the authority's board members. Their roles are as follows:

Member for establishments. This will be Graeme Low, currently responsible for research and director of Harwell, who takes charge of all seven research centres and, in Collier's words, "will be responsible for ensuring a fully corporate approach to the economic and effective use of major facilities." Low's deputy director, Peter Iredale, will replace him as Harwell's director. In addition, Tony Hughes, currently responsible for the £30m underlying research programme at Harwell, becomes the authority's chief scientist.

Member for programmes. This will be Brian Eyre, currently director of fuel and engineering technology in the northern division. He is a specialist in fracture mechanics and radiation damage. Eyre's job will be to manage the technical programmes — fast reactor, PWR (pressurised water reactor), fusion, etc.—and liaise with the "customers" who are paying for them. He will chair programme review committees.

Member for finance and administration. Reggie Simeone will continue in this role, with responsibility for the non-technical activities including finance, personnel and administration.

For further simplification, says Collier, the northern division is to be replaced by three management units, based on Dounreay and the fuel and engineering technology directorate and the technical and engineering services, both at Risley, Cheshire. He sees the latter, currently engaged on the authority's own £30m capital investment programme, as ripe for wider exploitation by any industry short of its engineering skills.

Two more key appointments complete this restructuring, at the chief officer level below the board. One is Freddie Clarke, the Harwell physicist, as business development director for the UK AEA. "I want him to do for the authority what he did for Harwell in the 1960s," says Collier. Clarke had a key role in Harwell's early commercial development. The other is John Gittus, currently head of the AEA's safety and reliability directorate, as the director of communications and information.

The reorganised agency must come to terms with several new factors, including changing perceptions of the commercial promise of some of its long-cherished goals. The yardstick will be the latest report from the Energy Technology Support Unit at Harwell, the thinktank of the Department of Energy, which assists the Advisory Council on Research and Development, chaired by Sir Sam Edwards, the department's chief scientific adviser.

This thinktank's latest conclusions on nuclear technologies —from a British perspective— gives ratings to what is believed to be the ultimate worth of the energy business analysed, and star ratings to the cost-effectiveness of doing more research, development and design (RD and D).

The only four-star rating goes to the pressurised water reactor, for which Britain has started its own safety research programme to adapt the reactor to UK safety perceptions, notably in respect of loss-of-coolant accidents, fuel behaviour during accidents, and radiation exposure of reactor staff. Of a total UK AEA research programme on the PWR costing £19m this year, the Department of Energy contributes one-third, to what is now ranked as the most attractive electro - technology currently open to the UK.

Magnox reactors get a three-star rating, for research aimed at prolonging their life beyond the design span of 20-25 years. But Magnox gets no direct support from the department.

The advanced gas-cooled reactor (AGR) gets a three-star rating for the contribution RD and D can still make to extending the life and improving performance, which still falls short of the specification. The Department of Energy is still contributing over half of a total UK AEA research programme costing on the AGR nearly £20m this year, including work on a more highly rated fuel.

The fast reactor, the biggest UK AEA research programme, accounting for over 28 per cent of its turnover last year, earns a rating of between two and three stars: three when assessed against the AGR, only two when assessed against the PWR.

Of a total programme cost this year of £102m the Department of Energy is contributing £74.9m. The programme is part of an integrated European RD and D collaboration under which, for example, fuel for the prototype fast reactor at Dounreay will come in future from France, while the UK concentrates on making more advanced kinds of fuel.

WORTH WATCHING

Edited by Geoffrey Charlish

Straight to the heart of Redditch

COUNCIL OFFICERS at Redditch Borough Council in the UK will soon have access to a continuous map display system and an associated database (store of information) put in by McDonnell Douglas Information Systems of the US. The idea is to speed decision making by providing information more easily and quickly.

Officers in engineering, planning, highways and rating departments can call up a map section on a display unit, put a graphics "fence" round an area of interest and bring up, in separate screen layers, details of roads, sewers, topography, services and property, which previously were on separate paper maps. Alternatively, a map reference can be keyed in and the small area surrounding it can be examined.

While each of these map layers is being studied, specific information can be brought up from the database and read on the screen, in answer to questions like: "When were these sewers laid or last inspected?" or "What roads are planned?"

The Redditch map system is part of a £1m contract that McDonnell Douglas has won to provide an electronic information system that covers most of the council's activities. It is expected that better co-ordination of the council's departments will result, together with improved strategic planning and provision of information for public debate.

Sized up in UK electronic offices

FIGURES RELEASED by the Business Equipment and Information Technology Association (BEITA) in London indicate that the turnover of this part of UK industry amounted to £11.27bn in the financial year 1986-87. The number of employees was 153,000.

The largest segment, covering computers, data/word processing and communications equipment accounted for over £8.58bn of turnover, of which exports totalled £2.24bn.

It's so simple to change this plug

FITTING A mains plug, a chore for householders and electricians alike, will become much easier if a new UK design from IDC Plugs of Farnham, Surrey, becomes established.

Cutting wires to different lengths, twisting the ends, coaxing them into little holes or around terminals, tightening clamping screws, mating cover with body — all this is done away with in the new design.

The cover is hinged and opening it reveals recesses into which the bared ends of the wires, all cut to the same length, are simply laid. The incoming cord is gripped by moulded jaws. When the cover is closed and its screw tightened, the wires are compressed into their recesses to make good electrical contact.

Further advantages are that the plug is only 17mm deep (24mm conventionally) and the fuse can be removed without taking the plug apart.

The plug meets or exceeds the requirements of British Standard 1363 and is made in the UK.

IDC Plugs was set up specifically to make the new design and has been backed by the UK Government's Business Expansion Scheme and private funds to a total of about £400,000. Present UK production facilities allow one unit to be made every 7.5 seconds. The company has already agreed to supply a factory-sealed version to two Japanese consumer electronics companies and will supply direct to retailers in the UK. The plug is expected to retail at around £1.

EC banks on materials data

THE EUROPEAN Commission is taking the first steps to set up a European Materials Databank by integrating the many separate databanks (information stores) that have been built up over the years.

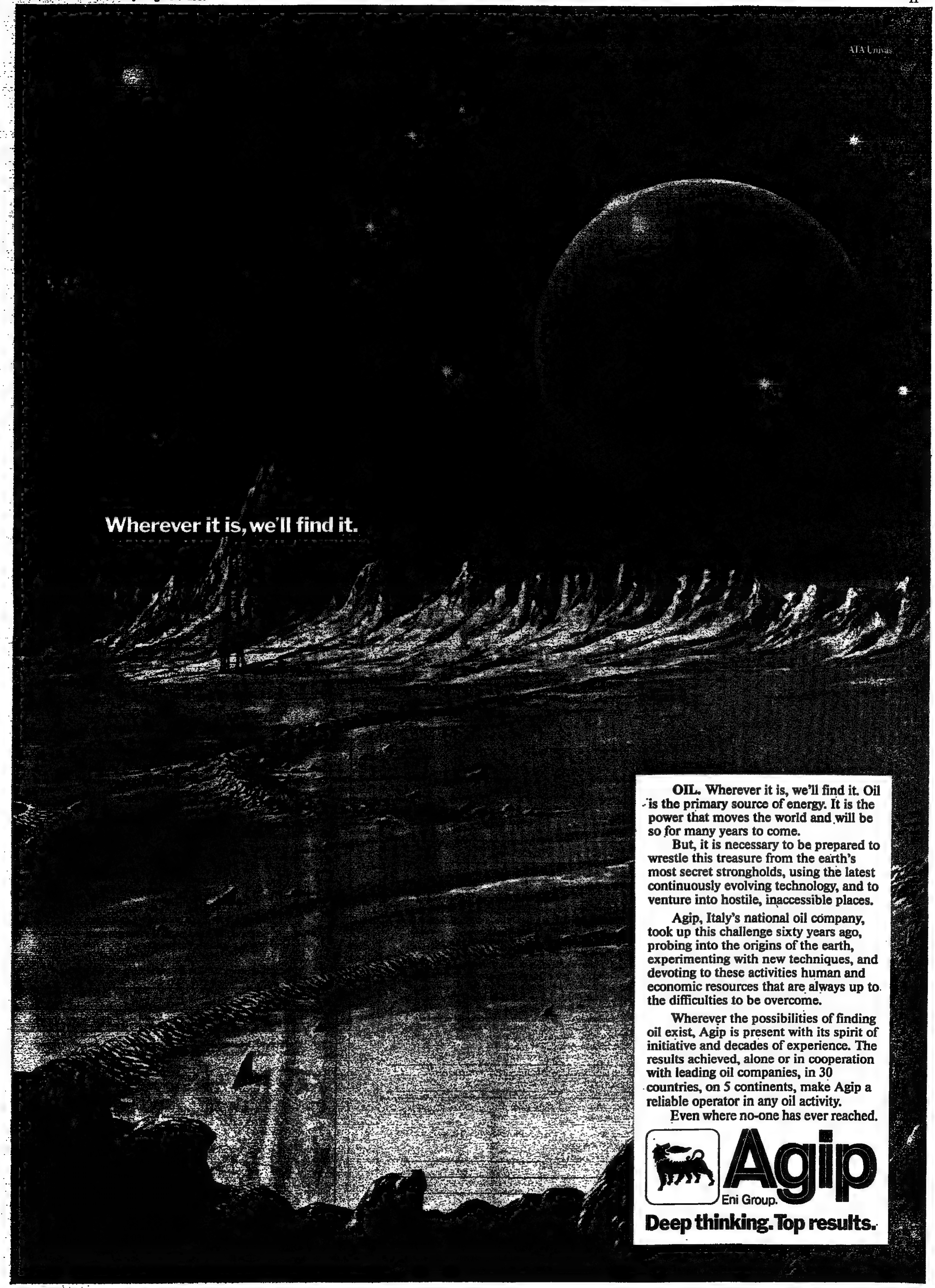
Data about materials is needed daily by many kinds of technologist, but searching through all the sources can be time consuming, costly and difficult. The EC hopes to develop a service in which the user can quickly find out where the required information resides and how to obtain it. EC directorate XIII/B is working with a group of databank producers to develop a demonstrator program to be implemented early next year.

Chips made safe from static attack

STATIC ELECTRICITY, which can destroy the tiny connections inside an integrated circuit "chip," can be kept at bay within electronics assembly and handling areas in factories using a monitoring system from Vermason of Letchworth in the UK. The whole work area is continuously checked and warnings sounded if charged objects or people are introduced into the area.

CONTACTS:

IDC Plugs: UK, 0252 721005. McDonnell Douglas: UK office, 0442 61286. BEITA: London, 405 6233. European Materials Databank: Luxembourg, 4301 2873. Vermason: UK, 0462 672005.


ATA Univas
Wherever it is, we'll find it.
OIL. Wherever it is, we'll find it. Oil is the primary source of energy. It is the power that moves the world and will be so for many years to come.
But, it is necessary to be prepared to wrestle this treasure from the earth's most secret strongholds, using the latest continuously evolving technology, and to venture into hostile, inaccessible places.
Agip, Italy's national oil company, took up this challenge sixty years ago, probing into the origins of the earth, experimenting with new techniques, and devoting to these activities human and economic resources that are always up to the difficulties to be overcome.
Wherever the possibilities of finding oil exist, Agip is present with its spirit of initiative and decades of experience. The results achieved, alone or in cooperation with leading oil companies, in 30 countries, on 5 continents, make Agip a reliable operator in any oil activity.
Even where no-one has ever reached.
Agip
Eni Group.
Deep thinking. Top results.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
7	8	9	10	11	12	13

Exhibitions

ITALY

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musee Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Rome: Galleria Nazionale d'Arte Moderna (Viale Delle Belle Arti) 'Le Stanze Della Memoria': views of interiors, portraits and conversation pieces from the Praz collection. The catalogue is almost more delectable than the exhibition itself: the delicate oils and watercolours get lost in the austere spaces of the gallery. The nostalgic title refers to a period (1776-1870) when the aristocracy of Europe were united as never before or since, a period for which Mario Praz, anglophile, literary critic, and Professor of English Literature at the University of Rome, had a passion. He recreated with accuracy and affection the atmosphere at his "Casa Della Vita," Palazzo Ricci in Via Giulia. Praz's passion for empire style began when still a child and he was still buying new pieces at the age of 85, a year before he died. It is sad that it proved impossible to buy Palazzo Ricci itself, so that these delightful objects could have been seen in their proper setting. Until September 6.

Rome: Palazzo Braschi (Piazza San Pantaleo 1): Carlo Carra' (1881–1966): Over 200 works by one of the most lyrical of Italian contemporary painters, many with clear echoes of those artists known to have influenced him, such as Giotto and Piero Della Francesca. Neatly divided into sections corresponding to his futurist, metaphysical and Realismo Magico periods. Ends Sept 16.

Rome: Palazzo Braschi: Painter-Photographers in Rome: 1845–1870: The term Painter-Photographer was used almost up to 1970 to describe the early photographers, even if they had never painted. An absorbing collection of documentary photographs of Rome, including a collection by the English archeologist, John Henry Parker, and some striking portraits, all from the archives of the Rome Comune. Ends Sept 27.

Venice: Palazzo Grassi: Jean Tinguely: 1954–1987: The jokey mechanical sculpture of Swiss artist Jean Tinguely. A gentler, but still mischievous, version of Salvador Dali, Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments," and the complexity and sheer improbability of his works communicate a touching "joie de vivre." Over 300 works are on show, lent by American and European museums, with photographs of his first Self-Destructing Sculpture. Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

PARIS

The Painter in Front of his Mirror: A collection of 222 self-portraits from the 16th to the 20th century shows the infinite variety of ways in which an artist regards himself. From a painstaking likeness to a self representation under the traits of a mefisto or the devil, from thickly laid brushstrokes to the lightest of lines, painters draw their own image for friends – or for posterity. Louvre des Antiquaires, 2 Place Palais Royal. (428 72700) Ends Sept. 5.

Georgio Morandi: Subdued colours and a subdued mood imbue the 120 paintings, watercolours, drawings and etchings of the master from Bologna. The permutations of the themes of bottles, vases, cylindrical or rectangular shapes engender a certain monotony. Yet at the same time they give these everyday objects a poetical existence of their own. Hotel de Ville, Salle Saint-Jean. (427 64066) Ends Aug. 20.

L'Art Independant: To commemorate the 50th anniversary of the 1937 Paris International Exhibition, the Museum of Modern Art, built for the occasion, repeats on a smaller scale the exhibition l'Art Independant which was part of the heady pre-war festivities. Celebrating painters and sculptors who broke with the academic traditions of the 19th century, it assembled works by Matisse and Maillol, Picasso and Lipchitz, Braque and Rodin among others. The present version of the exhibition allows visitors to compare the choices of the 1937 organisers with the judgement of history. Musee d'Art Moderne de la Ville de Paris, 11 Avenue President Wilson (472 36127). Ends Aug. 30.

Invitation to a Voyage: A delightful exhibition conjures up the excitement of travel from the middle ages till 1935, with finely tooled 15th and 16th century caskets for jewels, knives and goblets, with ornate leather trunks – and a Sache Guitry wardrobe case. The toilet sets dazzle with silver and crystal, ivory and tortoise shell, a French Coupe, a Dutch Royal sledge with a Japanese palanquin evoke adventure against the background of exotic travel scenes, while the Pullman era ushers in the luxury of discreet comfort amid the bustling porters. Musee des Arts Decoratifs, 107, Rue de Rivoli (4260 3214). Ends Aug 30.

WEST GERMANY

Kassel: Museum Fridericianum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, architecture and design. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' where 12 architects present their ideas for Museum construction. Ends Sept 20.

Baden-Baden, Kunsthalle Lichtentaler Allee 8a: Henri de Toulouse-Lautrec. This exhibition displays graphic works from 1864 to 1901 with more than 360 posters and drawings (Ends Aug 30).

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

Burlington House, Piccadilly: The Summer Exhibition of the Royal Academy has come round again, for the 219th time. Over 1,380 works have been chosen, nearly 300 fewer than last year, from an open submission of over 13,000 – paintings in all media, prints, drawings, sculpture and architectural design. For all its variety and quirkishness, the exhibition is strongly professional: the amateur work which once made it notorious has been more rigorously excluded in recent years and is now all but gone. With their privileged entry of six works apiece, the Academicians and Associates set the standard and the tone. With so big a show as this the visitor must follow his own taste and judgment and work quite hard to see everything properly, but such involvement brings its own rewards, from the work of Elizabeth Blackadder, Olwyn Bowey or Gus Cummins to that of Gillian Ayres, Joe Tilson or John Bellany. (Daily until August 23).

SPAIN

Madrid, Fernando Botero, Colombian painter whose imaginative world is a poetic distortion of reality. 100 works on loan by private collectors, museums and artist's funds. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 6.

Madrid, Spanish Pavilion in the international exhibition in Paris, 1937. This show reproduces the space, contents and environment of Spain's contribution to the art world during the Civil War, a means of propaganda by the republican government in search of international aid and support. Some originals, some copies or reproductions include architecture of the pavilion by Lacasa and Sert, Picasso's studies on the Guernica and his Dama Oferente, North American Alexander Calder's Fountain of Mercury, Miro's 'El Payes Catalan en Revolucion' and many more on loan by private collections and museums. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 15.

NEW YORK

Museum of Modern Art: Berlinart 1961-87: An international assortment of 55 artists who worked in Berlin over the past 25 years includes David Hockney, Malcolm Morley and Georg Baselitz. Ends Sept 8.

Guggenheim: The first retrospective of Joan Miro since his death in 1983 includes more than 150 pieces, including paintings objects, collages, ceramics and works on paper that explore the artist's experimental media, methods and primitive inspirations. Ends Aug 23.

CHICAGO

Art Institute: 16th century Turkish art that flourished under "The Lawgiver" Sultan Suleyman is displayed in 210 objects including illustrated manuscripts, inlaid woodwork, rugs and the imperial wardrobe. Ends Sept 6.

Picasso Sketchbooks (Art Institute): 39 of Picasso's cahiers, kept over 65 years, show the creative process of one of the century's most prolific and original artists. Ends Aug 23.

TOKYO

Images of Gods: This exhibition of masks and totem figures from Africa, Oceania, Asia and the Americas commemorates the 10th anniversary of Osaka's National Museum of Ethnology. The 200 objects include rare items from Oceania (from Britain's George Brown . Collection) along with elegant and modernistic designs from Africa and Australia. Suntory Museum of Art, near the New Otani and Akasaka Prince Hotels Akasaka Mitsuke. This is a cosy museum offering both a tea ceremony room and spectacular views over the city. Ends August 30th. Closed Mondays.

Bunjin-ga Literati Painting. This exhibition of Chinese-inspired landscapes by Japanese artists of the Edo Period (1600–1868) includes works by the renowned Uragami Gyokudo of the Nanga, or Southern School of Chinese painting. Literati painters were enthusiastic amateurs who worked in ink and paper – the Academy professionals worked in silk and mineral colours. Their most typical subjects were the rustic scholar-recluse poetic scenes of mountains and Zen-inspired landscapes of the mind. Idemitsu Museum Hibiya, above the Imperial Hotel and near Ginza and main hotels. Ends Aug. 23. Closed Mondays.

Theatre

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre be leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs. Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes. (628 8795).

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque re-union in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Melon (Haymarket): Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832).

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6565).

A Small Family Business (Olivier): Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale, Ayckbourn's own production is led majestically by Michael Gambon. Best of the NT rest remains King Lear and Antony and Cleopatra inthe Olivier, A View From the Bridge in the Cottesloe. The new Brian Friel adaptation of Turgenev's Fathers and Sons is decent but dull in the Lyttelton. (928 2252).

Three Men on a Horse (Vaudeville): George Abbott's sprightly gambling comedy has transferred from the National. Geoffrey Hutchings in the lead now joined by Toyah Wilcox (836 9987).

NETHERLANDS

Amsterdam, Stadsschouwburg. The English Speaking Theatre of Amsterdam with Noel Coward's Private Lives directed by John Hartnett and starring Lesley Hughes and Chris Young (all week except Sun and Mon). (24 23 11).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

All My Sons (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Les Miserables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters, but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

Satchmo (Opera House): New musical based on the life and music of Louis Armstrong opens. Kennedy Center (354 3770).

The Immigrant: A Hamilton County Album (Arena): An immigrant in Texas at the turn of the century conveys the warmth and quirkiness of autobiography in Mark Harelik's play based on his grandfather's experiences. Ends Aug 16. (488 3300).

CHICAGO

Sunday in the Park with George (Goodman): Stephen Sondheim and James Lapine's Pulitzer Prize winning musical based on suppositions about the life of artist and Georges Seurat stars John Herrera as the artist and Paula Scrofano as his lover, Dot, directed by Michael Maggio. Ends Aug 16 (443 3800).

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was handpicked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Continued on Page 13

THE ARTS

Cinema/Nigel Andrews

Tibetan adventures—John Ford style

Horse Thief, directed by Tian Zhuangzhuang

Pinocchio and the Emperor of the Night, directed by Hal Sutherland

Salvation, directed by Beth B

Paramount Pot-Pourri, various

Culture shock is an occupational hazard for film critics. It is undoubtedly the reason we are so often served cups of tea at Press shows. Kindly distributors see our blanched faces and nervous, twitching fingers as we emerge from the latest political musical from Brazil, or study in Tantric Buddhism from Nepal, or documentary on Eskimo rights from Greenland. We are supposed to digest such films in the same week as the latest James Bond movie or Disney feature cartoon. No wonder critics often end the day with eyes looking like fruit machines, dizzy with the whir of permutating images.

As well as the challenge of contrasting movies, there is that of competing "hypes." What to do when faced with yet another film from China which Sinophiles call a "breakthrough" movie? The last such work, *Yellow Earth*, seemed to me a stilted lyric to Chinese Communism flattered by some stunning landscapes. But *Horse Thief* is something else. Although director Tian Zhuangzhuang is dauntingly described as a member of the "fifth generation" of Chinese film makers, the movie's impact suggests less the end of a lineage than the beginning.

Tian Zhuangzhuang's "Horse Thief"

A simple story, the banishment of a man from his tribe for stealing and his family's quest for survival on the windswept Tibetan plains, is transformed by its setting and treatment. The breadth of the Cinemascope screen makes a landscape of unnerving beauty, where even inaminate things have a vivid secret life: like a raggedy-white bunting fluttering in the wind on a hilltop burial site resembling the tattered wings of the gathering vultures) or the bodies of dead sheep borne down a river and still seeming to twitch with life.

Glacial, epic, elemental, the film is like a John Ford Western transferred to a cold climate where even the narrative has been chilled to minimalism. Zhuangzhuang reduces the story to barest essentials, teasing out the film's two hours with ethnographic background detail (Buddhist ceremonies, tribal rites) and with the bowl of a landscape caught in the vice of cold but never quite paralysed by it.

The result is a virtual "silent movie." Not only is there little dialogue between characters but even the director's communion with his audience is magisterially arm's-length. Fade-outs between scenes ensure the film is episodic rather than cumulative; sounds are conjured as much by the pictures (the fluttering burial-mound flags, the rolling thunder-clouds) as by the soundtrack itself; and the final scenes of scrabbling for survival in a desert of snow have a wordless tragic grandeur reminiscent of the last scenes of Greed.

The movie is as far as could be from the popular idea of People's Republic cinema, whether love stories between apple-cheeked bicycle factory workers or Chinese Opera troupes singing the glory of Mao. Yet it is also as far as could be from any facile imitation of Western cinema. It is original, poetic and at best overpowering.

*

The symptoms of culture-shock can also manifest themselves as paranoia. A critic who is sure he has the measure of an emergent world trend in cinema suddenly finds the bottom falling out of his prognostications. He may, like me, have made rash prophecies that animation is on the way out in the late 1980s, chased by the more graphic fantasy-appeal of Special FX and hi-tech model-work. But suddenly world cinema turns round and bites him in the crystal ball. Animation, far from disappearing, is stampeding across our screens at present.

Pinocchio And The Emperor Of The Night, directed by Hal Sutherland for the prolific Filmation company (of TV's *He-Man*), follows close on the tail of *An American Tail*, a bid to re-Disneyfy the cinema. And surprisingly good it is. Despite being actionable on several counts of derivativeness—its puppet hero was popularised and all-but-patented by Disney and its "Empire of the Night" is shamelessly modelled on Star Wars' Dark Empire—it is charming, action-packed and above all, unlike *An American Tail*, funny.

A fat raccoon and obsequious monkey do a splendid Sydney Greenstreet-Peter Lorre double act as the carnival twisters who first lure our hero into trouble. A streetwise glow-bug and a raffish bumble-bee with RAF cap and goggles (favourite phrase, "A pain in the bloomin' stinger") join forces to help him out of trouble. And who could resist the giant frog whose every leap is accompanied by a cosmic "Boy-oy-oing," as if stuffed with the springs of 100 mattresses. Apart from a fairy godmother who sings drippy songs about love and free will, there is almost no trial to one's patience in 90 minutes of fun, games and fantasy.

Beth B's black comedy *Salvation*, by contrast, is nothing *but* a trial to one's patience. A Southern TV preacher (Stephen McHattie) is determined to fleece the public with his love-Jesus-and-please-send-a-cheque line in evangelism (although as played by McHattie he might well make more money in a Rutger Haur lookalike contest). Who should break into his house one day but a nymphomaniac in a blonde wig? Or a seeming nymphomaniac. For lo! Hardly has she seduced the Reverend than there arrive on the scene her sister and brother-in-law and two knockabout goons called Stan and Ollie. This mob is clearly out to blackmail the Rev. Rutger McHattie into sharing his ill-gotten earnings, past, present and future.

And so the long day wears on. There is a fresh and yeasty initial joke at religious charlatanism here, but its sell-by date is about 20 minutes into the film. Thereafter repetition is the text of the day, and not all the campy dialogue, pastel colour filters and endless pop-promo-style theme songs ("Oh you cant's blackmail Jesus!") can save the day.

Sad to record, Pola Negri, vintage vamp and Polish-born smoulderer, died this week aged 92. It is some consolation that she died in a month during which her patron Hollywood studio, Paramount, is receiving full retrospective honours at the National Film Theatre. Negri's best American films were made for Paramount by the fellow emigré who shaped her early career in Europe, Ernst Lubitsch, and who also shaped Paramount's early reputation for cosmopolitan sophistication. Negri and Lubitsch together helped save early American cinema from the moral evangelism which was the worst trait of the silent period (even the films of D. W. Griffith) and steer it towards wit, cynicism and a delight in the follies and fevers of passion.

Their legacy to Paramount is evident in the best films in the NFT season, including Mamoulian's *Love Me Tonight*, Sternberg's *The Scarlet Empress* and Lubitsch's own *Angel*. "Paramount Pot-Pourri" lasts until August 31: treat yourself.

Theatre books/Michael Coveney

Spotlight on Tom Stoppard

Benedict Nightingale, the estimable former theatre critic on the New Statesman, spent a year in New York writing a weekly theatre column for the New York Times and discovered that Broadway was dying. Which is rather like going to Southend and declaring the Kursaal defunct, or entering the Ivy Restaurant to find no trace of Noël Coward or James Agate.

This does not make *Fifth Row Centre* (Andre Deutsch, £12.95, 346 pages) any less fascinating to read, but it does make you wonder why he paid no flying visits to Los Angeles, or Chicago, or Minneapolis, or anywhere, even Louisville. In a year of finding nothing much to write home about, the forlorn critic rehearses familiar encomiums on Pinter and Beckett, catches up with Mamet and Shepard, gives up finally on the Living Theatre, waxes critically eloquent on Dustin Hoffmann's Willy Loman and worries over his role as a critic.

Nightingale is too good a writer to be dowdy or dull, but he is not exactly one of life's ravers, beetling around between library and delicatessen, glumly bemoaning what he terms the "diaper drama" of the new Off-Broadway dramatists, although one hardly remembers him as a vanguard champion of the British public drama of the mid-1970s.

The Broadway season of 60 years ago unveiled 264 shows, 53 of them musicals and played to between 15 and 20m people in 70 theatres. In 1985-86, two years after Nightingale's stint, 33 new shows played to a total Broadway audience of 6.5m. And still Nightingale says that the way to stop the rot is to have an American National Theatre on Broadway. Where the action is. Who's kidding who?

Where the New York Times goes is no longer where American theatre really happens. The most interesting new director, Peter Sellars, is based in Boston and goes everywhere except New York. The American regional theatre is in resurgence. Chicago and Los Angeles are the new theatre cities. Of this we read next to nothing, which does not matter except that Nightingale, playing the New York Times game, does little more than reinforce Big Apple's out-moded delusion of its cultural self-importance.

Nightingale scores heavily, though, as a close analytical critic of texts he has poured over, usually a couple of years after the play was performed. You will not read anything better on Mamet's *American Buffalo*, or on Beth Henley's

Tom Stoppard

Crimes of the Heart, than is contained in these careful, civilised pages. But of tomorrow and signs of new vitality: a big fat zilch.

More good analysis in *Stoppard the Playwright* by Michael Billington (Methuen, £9.95, 188 pages), not just of the major stage plays, but also, most usefully of early radio and TV plays and of Stoppard's one novel, *Lord Malquist and Mr Moon*, published in the same year, 1966, as *Rosencrantz and Guildenstern* was first performed by Oxford students.

The Real Thing (1982) is the play where Stoppard reveals commitment and emotional complexity for the first time, a consequence, Billington seems to think, of a political "coming out" in 1977, when Stoppard wrote *Every Good Boy* for Amnesty International and the play Billington admires above all the others, *Professional Foul*, for BBC television.

I am not sure about this. I reckon Stoppard has always been and remains, a temperamental member of the libertarian right and even *The Real Thing* takes unapologetic aim at people who express strong opinions badly. Critics like Billington diagnose this a weakness in the play as it does not square with the playwright they want Stoppard to be, i.e., someone they agree with, someone "affirmative, committed, political."

I don't want Stoppard to agree with me on anything, any more than I want him to achieve political fusion with Michael Billington. I just want him to write more good plays and fewer dud adaptations. Billington's tome, meanwhile, becomes the standard Stoppard handbook, lively and indispensable.

Just published in America is Holly Hill's stimulating collection of interviews with 26 actresses who have played Shaw's Saint Joan. *Playing Joan* (Theatre Communications Group, US$10.95, 253 pages) is an educative and enjoyable symposium and a valuable Shavian document. I hope an English publisher is found soon; meanwhile, ask friends travelling back from New York to pack a copy along with *Spycatcher*.

A drama critic's library is enriched by the week by newly published plays. In recent years Faber and Methuen have led the field and set the pace. Most worth reading of the latest batch are, from Faber, *Two Kafka Plays* by Alan Bennett, and *A Small Family Business* by Alan Ayckbourn; and, from Methuen, Simon Gray's *Melon* and Sam Shepard's *A Lie of the Mind*. The latter is yet to be produced here. All are priced at £3.95, except for the two Bennett plays — which come with a wittily irresistible introduction by the author — at £4.95.

Images from Museums

Gillian Darley

Richard Ross sets out on his idiosyncratic photographic journey with his tongue firmly in his cheek. Behind the smartest, most expensively fitted out museums lurk storage areas, cupboards and dark corners packed with piles of forgotten fragments, stuffed animals that didn't last the test of time, stone limbs that have lost their point and much else that has merely nowhere to go.

In his exhibition, at the Natural History Museum until September 15, Ross shows scenes from both sides of the green baize doors of the museum world. From the public side he observes the clues that really tell you what kind of museum this is — rather than what the information desk might tell you. He has no time for the push-button world of modern display. This is a classical world, whether it is redolent of the Victorian thirst for knowledge or the late Twentieth century reverence for culture.

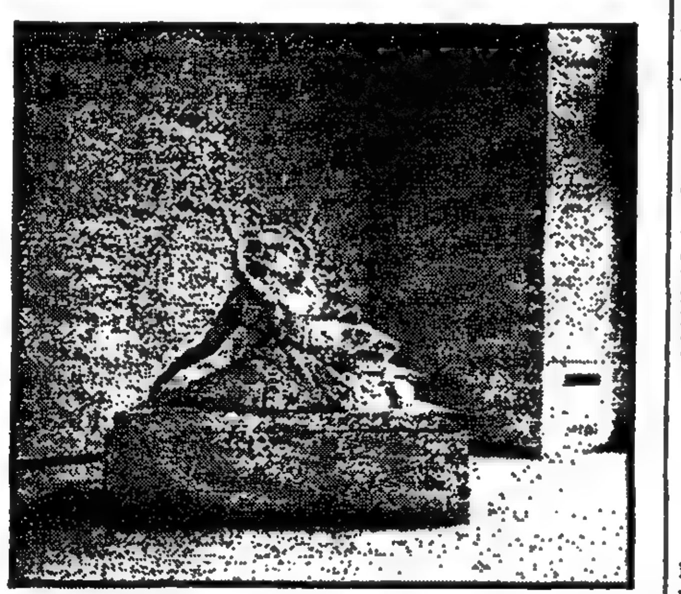
Ross is a Californian but his appetite for the oddball and the forgotten, the happy accident and the inane juxtaposition, is better served in Cairo, Athens, Paris and London, than at home. His photographs are printed as large colour images; sometimes they are nearly monochrome, as dictated by subjects such as the classical statuary in Athens Museum. He has a canny knack for emphasising mood and style with the minimum of props.

He captures national foibles, too, the American and French near religious attitude to art, the uncertainty of the English — on the lines of should the gallery look like drawing room or exhibition space? (The photograph of the Ashmolean shows that they opted for the former). Or there is disaster, as at Santa Barbara where a fern in a pebble covered dish does for the classical busts in the room entirely.

Although Ross has photographed museums of antiquity and fine arts, and can speak volumes on the state of the institution in question with a single, perfectly judged image it is in those marvellous repositories, the museums of natural history around the world, that he really comes into his own. His humour tends to the Thurberesque. Examples include the juxtaposition of a moose and a pekingnese in the Deyrolle taxidermy establishment in Paris, the stultified rigidity of hundreds of small Asian birds (presumably some vast extended family) perched on identical stands at Chateaudun, or the scene of looming, dust-coated skeletons in the Paris Natural History Museum.

There, too, a *tableau vivant* of lions attacking each other makes a kind of high Victorian melodrama, the beasts frozen, eyes popping, teeth embedded in one another and, the taxidermist's triumph, convincing flesh wounds. Rosa Bonheur, who painted such things, could not have done better.

When museums put things aside to mend or construct, as in the British Museum cast store where torsos hang a half at a time, like elegant carcasses, or the BM's osteology department where miscellaneous bones await an archaeological reconstruction, the possibilities for the well-aimed lens and a witty eye are endless. Recognising the potential, the Natural History Museum is offering tours behind its own scene during August, to complement the exhibition, and to let people see for themselves the private face of the public institution.



"Canova Sculpture," photographed by Richard Ross

Academy/Barbican Hall

Max Loppert

The Academy of St-Martin-in-the-Fields is half way through its small summer Barbican series devoted to music of the period 1800-1830. Wednesday night's concert presented and (as it were) discussed an interesting Beethoven theme: the "Prometheus theme," indeed, that simple formula out of which he spun the finale of the *Eroica Symphony* and also the 15 Variations and Fugue for piano, Op 35. Both works were played; the concert would have been still more interesting if the finale from the ballet score, *The Creatures of Prometheus*, had been included as well (we were given only that work's overture, which does not contain the theme, whereas the finale does). Nevertheless, the point about Beethoven's enthralling thematic adventure was sufficiently proved.

It would have been a point even more rewarding to ponder if the performances had themselves been more powerfully stirred up with Beethovenian fire. Neville Marriner, founder and principal conductor of the orchestra, is not that sort of Beethoven conductor. The symphony was delivered with all the familiar and long-admired tokens of Academy accomplishment — really firm string playing (no back-desk slacking), euphonious blend of parts, a graceful musical flow deriving directly from the solid professionalism of all involved.

But there was a lack—not fatal, perhaps, but notably limiting—of tension in the build-up of each movement. The life-or-death three-against-two rhythmic struggles were ironed out; the tremendous moments when new material is introduced, new vistas are opened up, were kept decorously in order; the brooding atmosphere of the slow movement was almost entirely missing (and the start was neither really soft nor really precise in its dotted rhythyms). It was an easy-going, summer-season *Eroica*: which says it all.

Of Op 35 Rudolf Buchbinder, resident Beethoven pianist for the series, gave a rather odd, dislikeable reading. It was at once didactic (lots of slowed-up point-making in the opening), unstable (bursts of banging and thundering), and dramatically short-winded. If the purpose of the fisticuff attacks upon the explosive variation with triplet rhythm and *martellato* seconds was to demonstrate the pawkiness of Beethoven's sense of humour, it was not at all successfully achieved.

Mascagni's Si/Montepulciano

William Weaver

At the end of 1885, when he left the Milan Conservatory without taking his degree, Pietro Mascagni found employment as the conductor of a nomad operetta troupe. Eventually moving on to a different company, he continued to conduct, all over Italy, for more than a year, until he found a job as band-master in a Southern town, rapidly wrote *Cavalleria rusticana* and with it, in 1890, achieved fame.

In the first years of his success, he produced a succession of operas, in various sizes and veins—comic, romantic, massive, small-scale—but he had not forgotten his operetta past; and just after the first World War, he composed a light work in three acts entitled *Si*, first given at the Teatro Quirino in Rome (December 1919), then at several other Italian theatres, and finally—translated into German—at the Burgtheatre in Vienna.

But for the last half-century or so, *Si* has been completely ignored; so it was an act of courage, and faith, on the part of the Montepulciano "Cantiere Internazionale d'arte" to revive it, last month, for its twelfth festival.

The Teatro Poliziano was an ideal setting for the work: a small, old-fashioned house, with a friendly, even neighbourly atmosphere. The large audience included several Mascagni specialists, a large contingent of the composer's descendants, and some vacationers from nearby Tuscan resorts: all in a mood to be entertained and, happily, this revival of *Si* proved eminently entertaining.

Entertaining, but not funny. In fact, despite the composer's long familiarity with the genre, *Si* is an atypical operetta. The story of the follies girl, nicknamed "yes" for her inability to say "no," is a sad tale of disappointed love. She marries a nobleman (the Duca di Chablis) in jest, becomes devoted, and is dismissed when the Duke decides to marry a beloved cousin, a princess.

The moral seems to be: stick to oyur own kind, and poor *Si*'s dreams are shattered. Much of her music is appropriately wistful, somewhat in the line of the "serious" *Lodoletta*, which Mascagni had written a couple of years earlier.

There are some jolly numbers for the chorus ("Come si balla bene a New York," a pseudo cakewalk, for example), who—in the spirit of the period—are sometimes telegraph operators, sometimes hotel chasseurs (the scene is Paris), sometimes apaches. But the general mood of the piece is of forced gaiety combating gloom.

The Montepulciano production was obviously mounted with great care. Guido Salsilli's art-déco sets, steely and glittering, were a joy to look at most of the time, a joy marred only by the rising and falling Venetian blinds, electrically — and audibly — operated. Guiti Piccolo's costumes were equally appropriate and inventive. And, in general, Mario Zanotto's staging was admirably in the spirit of the piece, though the spoken dialogue was often slow, breaking the pace and drawing out an already-long performance.

The young cast was headed by Margherita Vivian, a suitably plaintive Sì and Amelia Felle, the arrogant princess: both fresh-voiced and musical. Making his stage debut, the tenor Mauro Nicoletti, moved with conviction despite his burly figure, and sang with a sweet, just slightly crooning tone. Giulio Liguori was an imposing, basso Romal (a character who doubles as head of the telegraph office and director of the Folies Bergère).

A young Spanish baritone, Antonio Comas, made the most of a small role, sang with style and with impeccable Italian enunciation. Sandro Sanna conducted the Montepulciano orchestra (mostly young musicians from the UK) with flair, and a local amateur chorus sang, danced, mimed manfully and womanfully, to great effect. A work—and a production—that should travel.

Arts Week

Continued from Page 12

Music

PARIS

Alsfelder Vokalensemble conducted by Wolfgang Helbich: Lassus, Bach (Mon, 8.30pm). Saint-Severin Church.

Eleftheria Kotzia, guitar: One hour with Villa-Lobos (Tue 7pm). Auditorium des Halles.

Gustav Mahler Jugend Orchestra conducted by Claudio Abbado, Maria Joao Pires, piano: Mozart, Mahler (Tue 8.30 pm), Salle Pleyel.

Huguette Dreyfuss and Olivier Baumont, harpsichords: D'Anglebert, Caix d'Hervelois, E Couperin (Wed, 7pm). Concert-Rencontre, Auditorium des Halles.

Orchestre National d'Ile-de-France conducted by Claudio Santoro. Ligeti, Villa-Lobos, Santoro (Thur, 8.30pm). Radio France, Grand Auditorium.

All the above are parts of the Paris Festival Estival (4804 9801).

LONDON

BBC Symphony Orchestra conducted by Mark Elder with Peter Donohoe, piano. Beethoven and world premiere of Nicholas Maw commission. Royal Albert Hall (Mon). (589 8212).

BBC Symphony Orchestra and Chorus and London Philharmonic Choir conducted by Mark Elder. Tippett, Sibelius and Rachmaninov. Royal Albert Hall (Thur).

Oslo Philharmonic Orchestra conducted by Mariss Yansons. Berlioz and Prokofiev. Royal Albert Hall (Tue).

Oslo Philharmonic Orchestra conducted by Mariss Yansons. Shostakovich and Strauss. Royal Albert Hall (Wed).

NEW YORK

Mostly Mozart Festival (Avery Fisher Hall): Cleveland Quartet. Horacio Gutierrez piano, Bernard Greenhouse, cello. Mozart, Schubert, Beethoven (Mon); Mostly Mozart Festival Orchestra, George Cleve conducting, Andre Watts piano. W. F. Bach, Handel, Mozart, Rossini (Tue, Wed); Gerard Schwarz conducting, Hei-Kyung Hong soprano, Gail Dobish soprano, Kaaren Erickson soprano, Jerry Hadley tenor, Michael Myers tenor. Mozart (Thur). Lincoln Center (874 2424).

Tanglewood: Emanuel Ax piano, Yo-Yo Ma cello. Strauss, Schumann, Rachmaninoff (Thur). Lenox, Mass (413) 637 1666.

WASHINGTON

Wolf Trap: Pat Methany Group (Mon). Vienna, Va. (703) 255 1868).

CHICAGO

Ravinia Festival: London Symphony. Michael Tilson Thomas conducting. Alicia de Larrocha piano. Berlioz, Mozart, Tchaikovsky (Wed); Chicago Symphony. Leon Fleisher conducting. Katherine Jacobson piano. Stravinsky, Hindemith, Rachmaninoff (Wed); London Symphony. Michael Tilson Thomas conducting. Nadja Salerno-Sonnenberg violin. Mendelssohn, Bruch, Dvořák (Thur). Highland Park (728 4642).

Opera and Ballet

WEST GERMANY

Bayreuth: The Bayreuth Festival, until August 28, has opened with the new Lohengrin, produced by Werner Herzog. Great hopes centre on his Bayreuth debut. With singers Paul Frey, Nadine Secunde, Manfred Schenk and conductor Peter Schneider it is the focal point of this year's events. The much-acclaimed Wolfgang Wagner production of Tannhäuser is revived with the title role sung by Richard Versalle. The cast also includes Cheryl Studer, Gabriele Schanut, and Wolfgang Brendel with Guiseppe Sinopoli conducting. The Mastersingers of Nuremberg will be conducted by Michael Schonwandt, another newcomer to Bayreuth. The leading roles are taken by Bernd Weikl, Manfred Schenk, Alan Opie and Lucy Peacock. Further offered is Tristan und Isolde in Jean Pierre-Ponnelle's production with Peter Hofmann as Tristan and Catarina Ligendza as Isolde, conducted by Daniel Barenboim. Gotz Friedrich's production of Parsifal, also conducted by Daniel Barenboim, features in the main parts Siegfried Jerusalem, Franz Mazura, Waltraud Meier, Hans Sotin, Donald McIntyre and Matti Salminen alternating with Matthias Holle.

Heidelberg Festival: Heidelberg's romantic castle grounds are once again the scene of an open-air festival until August 30. There are open performances and concerts virtually every night. Traditionally the mainstay is the Student Prince, sung in English – smaller wonder, since it reflects the romantic past of this old university town. Further offered, Mozart's Die Gärtnerin aus Liebe and Lonzing's rarely played Hans Sachs, both conducted by David Effron. Chamber music, a Werner Hollweg lieder recital and orchestral concerts complete the programme. For information Theater der Stadt Heidelberg, Theaterstr. 4 (0 62 21/2 19 76).

ITALY

Rome: Termi di Caracalla: Noisy and overcrowded production of Spartacus, with choreography by Laslo Seregi, conducted by Alberto Ventura. In the cast are Lucia Colognato (Flavia), Mario Marozzi (Spartacus), and Salvatore Capozzi as the Roman Commander. Also, Tosca, directed by Mauro Bolognini and conducted by Rafael Fruhbeck de Burgos, with Giovanna Casolla (Tosca), Nicola Martinucci (Cavaradossi), and Silvano Carroli (Scarpia), Sylvano Bussotti's production of Aida, conducted by Sergio Oliva with Rosa Alba Russo in the title role) Fiorenza Cossotto as Amneris and Giorgio Merichi as Radames. (46 17 55).

Verona: Arena di Verona: La Traviata conducted by Ralf Weikert and directed by Gianfranco de Bosio, with Rumanian soprano Nelly Mericiou-iu alternating with Julia Conwell and Daniela Longhi as Violetta, Jose Carreras (Franco Bonisolli/Ivan Kiurkciev) as Alfredo, and Giorgio Zancanaro (Sherill Milness/Duilio Contoli) as Germont. Also Aida, directed and sumptuously designed by Pietro Zuffi and conducted by Donato Renzetti, and Renata Scotto's production of Madame Butterfly, conducted by Yoshinori Kikcuchi. (2 81 51).

NEW YORK

New York City Opera: Rotating repertory resumes with La Rondine, La Traviata, La Bohème and Cavalleria Rusticana with I Pagliacci. Lincoln Center (870 5570).

Jacobs Pillow Dance Festival: Summerlong work and performance schedule in the Berkshires features recitals this week by members of the New York City Ballet (Tue-Thur). Becket, MA (413) 243 0745.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

Telegrams: Finantimo, London PS4. Telex: 8954871

Telephone: 01-248 8000

Friday August 7 1987

No credible Opposition

YESTERDAY'S VOTE by the members of the Social Democratic Party constitutes an important chapter in a long-running political saga that can have but one of two possible outcomes. The first possibility is that the schisms among the parties to the left of Mrs Thatcher's Conservatives will persist for so long that the Tories will in fact go "on and on and on," as the Prime Minister would in some moods like to do. The second is that it will bring forward the day when a single opposition party, perhaps in electoral alliance with another, will be able to win an election. The closeness of the vote suggests that the Conservatives need not yet be too concerned about a strong opposition emerging during the next year or two.

This can be seen by considering the situation that now confronts the various opposition parties. Some 44 per cent of the SDP's members have voted in favour of a merger with the Liberal Party, while 33 per cent voted against. The remaining 23 per cent did not return ballot papers. Since this vote ran contrary to the advice given by Dr David Owen he has resigned as leader of the party; for the moment he seems destined to follow the lonely path of other brilliant stars in the British political firmament like Enoch Powell and the youthful Oswald Mosley.

A fresh leadership contest is therefore the first order of the SDP day. Its governing committee, a majority of which is against a merger, must now decide what to recommend to the national conference in Portsmouth next month. There will be talks with the Liberals: Dr Owen has sensibly suggested that a pro-merger sub-committee should proceed with those. The Liberal Party will itself have to endure a great deal of internal wrangling over how much of its own constitution should be reformed in order to meet the demands of those members of the SDP who are willing to join it. Further national ballots of both parties will be necessary to endorse any merger settlement that was agreed by the parties' leaders.

At loggerheads

But those leaders have been at loggerheads since the election. Four SDP Members of Parliament including Dr Owen seem likely to stay out of a merger, although there is no certainty about all of them. Two of the SDP's most important financial sponsors have said that they will not transfer their funds to a new party. Rank-and-file members will be asked to choose whether to go over to the Liberal camp with Mrs Shirley Williams, Mr William Rodgers and Lord Jenkins, or to stay in what may well become Dr Owen's unofficial rump party; many will no doubt decline either offer and return to the Conservative fold or perhaps join Labour. The prospects for advances by the "third force" in British politics are poor.

It might be thought that the gainer will be the Labour Party. Under Mr Neil Kinnock it is modernising itself more rapidly than most people would have thought possible even a little as a year ago. Mr Kinnock's immediate lieutenants are talking about winning the support of the affluent and those who aspire to affluence; such centrist language would have been regarded as sacrilegious under its previous leader, Mr Michael Foot. It is also widely believed that a new Liberal-and-some-SDP-bits Alliance under Mr David Steel might be willing to entertain the idea of a post-electoral pact with Labour.

Damage persists

The trouble with that picture is that (a) internecine strife has by no means been eliminated by the Labour Party, while (b), Mr Kinnock sees no need to negotiate with any of the other opposition parties so long as they remain in such disarray. In any event, the new non-socialist rhetoric has yet to be accompanied by new non-socialist policies. The Kinnock policy of eliminating his own "loony left" has yet to be fully tested by the Labour conference. Meanwhile the damage done by the explosion within the SDP-Liberal Alliance will persist.

There is no mystery about what the voters are making of it all. If the opinion polls are to be believed, Mrs Thatcher would win a greater victory in an election held now than she did in June. That is comforting for those who believe that the general thrust of Conservative Party policy since her Government first came to power in 1979 has been beneficial. Yet it is not good for one party in a democracy to hold office indefinitely.

A pre-emptive adjustment

BETTER SAFE than sorry appears to be the guiding principle behind yesterday's official signal to the markets to raise short-term sterling interest rates. And while it is hard to see why the case for a gesture to the "overheating" school should look so much more compelling this week than last, few will wish to take issue with the authorities' tactical judgment in the light of the record over the past year or two.

Next week's trade figures have, admittedly, been playing on the stock market's nerves. But an uncomfortably large deficit in the pipeline would, if anything, amount to a case for holding back a rise in rates for fear of having to repeat the medicinal treatment if markets over-reacted after the event. A more plausible reading of yesterday's move is that it constitutes a pre-emptive strike in the face of a whole range of statistics that seem likely to provide grist to the mill of the City's more puritanical analysts.

Figures for the producer price input index for July are expected to show a big increase in the year-on-year rate, although this will largely be a reflection of the unfavourable comparison with a period that saw the benefit of collapsing oil prices. The hitherto uniquely well-behaved monetary aggregate M0 is thought to be on the point of making an uncharacteristic dash to join the more racy varieties of M. There is no good news in store to help the next retail price index figures and the general assumption in the City is that bank lending will continue to fuel the fund managers' worries about inflation.

Monetary Discipline

Equally important, sterling has been looking less buoyant lately, which has left the authorities with an opportunity to impose a modicum of monetary discipline without causing the exchange rate to soar. All the wild reactions yesterday were in the gilt-edged and equity markets, while the pound took the news with relative equanimity.

None of this, however, means that the arguments about inflation have been resolved. The recent growth of money and credit is, to some extent, worrying; and there are signs both of a slight acceleration in pay and the emergence of capacity constraints in some sectors of the economy. But the external price pressures are not, as yet, the stuff of which double figure inflation rates are made. In non-dollar terms, commodity prices are still at historically low levels, despite their recent rise off the floor, while tightened conditions in the oil market reflect the very specific—and with luck transient—circumstances in the Gulf.

The recent CBI industrial trends survey scarcely painted a picture of burgeoning cost pressures and troublesome bottlenecks. Even in the one market that is showing unmistakable signs of over-heating, housing, the recent news contains some slight hint of improvement. Britain's biggest buiding society, the Halifax, claims to see some levelling-off in the house - price sjiral, although the figures on which it bases its judgment probably still look hair-raising to those who are worried about inflationary pressures or who are simply struggling to climb on to the housing ladder.

Deeply entrenched

If this precautionary touch on the brakes takes some of the heat out of the property market, so much the better. Yet the inflationary psychology here is deeply entrenched; and the sensitivity of mortgage borrowers to anything other than a draconian hike in interest rates has not, in the past, been conspicuously great. Also difficult to guage is the impact of a tightening of monetary conditions on British Industry's investment plans. The CBI survey indicated that investment intentions were at last on a sharply rising trend. Given that sterling has been held relatively stable, it would be rational for industrialists to persevere on the basis that this is a short-term corrective.

Certainly nobody should pay undue attention to the overdramatic decline in equity prices yesterday. In percentage terms the fall was miniscule. It probably also tells us more about the structure of post-Big Bang markets than anything that goes on in the real world. And the real world will not be so much different on the basis of this less - than - sensational policy adjustment.

MR REAGAN AND THE PRESIDENCY

More than his image at stake

By Stewart Fleming

WHEN President Ronald Reagan retreats from Washington to his ranch in the mountains north of Los Angeles next week, he will leave behind a city which believes it is time to consign the Reagan era to the history books and move on.

Over the next few weeks, while he takes his summer holiday, the last set of candidates hoping to take over his job in January 1989 will formally declare themselves. During the gruelling primary campaign leading up to the election in November 1988, they will be seeking to demonstrate that they can fill a void which Mr Reagan's failures have helped to create, and satisfy the national yearning for change.

Mr John Sears, a former Reagan campaign manager and political strategist whose advice is sought by many an ambitious Republican politician, explains America's mood in this way: "In our moments when we are not frightened, Americans welcome change. The belief that we can make the future better is very important to us. When it has left us we have been very poor in spirit. We have no culture to fall back on."

That a turning point in American political history is approaching is unquestionable. A new generation is coming to political power. And if the voters who will next year choose a President to lead them to the threshold of the 21st century, almost half will be under the age of 40.

There are signs that old party loyalties are breaking down. Mr William Hamilton, a Democratic public opinion pollster, says that he has never seen such volatility in party identification, and notes the growth of a shifting core of voters who define themselves as independents.

When President Reagan was making huge inroads into the traditional "blue collar" vote of the Democrats in 1980 and 1984, Republicans were relishing the thought of a realignment which would make them the party with the natural majority. Now, says Mr Hamilton, it is more a question of "de-alignment" than re-allignment.

There is also evidence that Americans have tired of the self - congratulation which characterised Mr Reagan's vacuous 1984 presidential election campaign. They feel faintly threatened—"restive" is how Mr Hamilton describes it—and only too aware of the country's problems. Increasingly, polling data suggests that Americans feel the US is "on the wrong track." Disillusion

Americans feel restive and only too aware of the country's problems

with business, government and political leaders is resurfacing —not surprisingly, in the light of scandals in the "Televangelist" community, arrests on Wall Street and disclosures about the Iran-Contra affair.

The unease is most pronounced over the performance of the economy. Americans are anxious about how to respond to the economic and technological strength of allies like Japan. There is a sense that the world economy is impinging more on their lives, threatening their jobs and standard of living. The uncertainty is mirrored in the unresolved debate on Capitol Hill about how tough and protectionist to make the trade bill now being finalised.

There is too—at least among those who follow foreign policy closely—an awareness that, in Mr Mikhail Gorbachev, the US faces a Soviet leader who has succeeded in seizing the propaganda initiative from an ageing President, whose competence in the foreign policy arena has been exposed by Irangate and who is facing another potentially explosive challenge in the Gulf.

How such perceptions will influence the last 16 months of Mr Reagan's presidency and the election of his successor is a subject of intense speculation.

Nonetheless, Mr Reagan has emerged from the Iran-Contra hearings in better political health than many had predicted —and than some had hoped. Public opinion surveys show him with a job approval rating in the 46-52 per cent range—extraordinarily high for a President in his seventh year of office and persistently above the 40-42 per cent level to which it fell shortly after the Irangate scandal broke. So it seems the televised dissection of his Administration's performance by congressional investigators has failed to erode the President's public standing.

He has been fortunate in other respects as well. The past few months have provided a number of positive economic and political developments on which Mr Reagan can capitalise when he returns to Washington in September.

After flirting with recession in the spring, when the world hovered on the brink of a dollar crisis, the US economy is on course for continued sluggish growth (although it remains vulnerable to swings in international investors' confidence because of over-dependence on foreign capital). The financial markets seem prepared to take in their stride the rise in inflation—to between 4 and 5 per cent from 1 per cent last year—hoping that it is temporary and that Mr Alan Greenspan, new chairman of the Federal Reserve, lives up to his hard money promises.

The unexpected windfall of an open seat in the Supreme Court will give the President a chance to go on the offensive against the Democrats. His nomination of Judge Robert Bork, a conservative but one with solid judicial credentials, has sewn dissension in their ranks. Some of the party's liberals want to turn Judge Bork's nomination into a constitutional confrontation between the White House and the Senate over whether or not the latter is obligated to confirm qualified but, in its view, ideologically biased nominees.

Even at the Iran-Contra hearings, the virtuoso performance of Lt Col Oliver North, has boosted the cause of Contra aid

Add in the prospect of a Washington summit with Mr Gorbachev to sign an arms control agreement — a scenario apparently dear to Mrs Nancy Reagan's heart—and the President has a number of items on his autumn agenda which may help divert attention from less promising vistas.

So Mr Reagan can feel he has at least the possibility of finishing his term neither humiliated nor disgraced, as were three of his four immediate predecessors. But, the fact remains that, even in the judgment of some of his most loyal friends, he has been permanently weakened by the events of the past year. The polls show that he has not recovered his credibility, his most valuable political asset. A majority of Americans still believe he lied to them about his knowledge of the Irangate details.

A no less enduring liability has been his party's loss of control of the Senate to the Democrats last November. Indeed some analysts argue that this factor above all has caused cracks to appear in the foundations of his presidency at a time when Mr Reagan was already struggling with "lame duck" status because of the constitutional ban on re-election for a third term.

Finally Irangate has taken its toll — even if the damage done has been less than expected. When the country is looking for strong leadership, it has been faced with the picture of a President who did not know what was going on in the White House. It has had to listen to officials, such as Mr George Shultz, the Secretary of State, tell stories about "guerrilla warfare" within the Administration. And it has heard the former National Security Adviser, Admiral John Poindexter, as good as admit that he was intent on misleading, if not lying to, Congress.

If, as many expect, the independent counsel, Mr Lawrence Walsh, brings indictments against some of the leading figures in the Irangate affair, then the image of the Administration will be further tarnished.

What is worrying some Republicans, however, is that the White House is not drawing the right lessons from both the evidence of the country's changing mood and the reality of Mr Reagan's weakened, but still influential, position. They feel he should be helping them match up to the Democratic Party, which has been building a legislative record on issues of public concern.

An outspoken public expression of this anxiety has come from Mr Kevin Phillips, a Republican political analyst. He argued in a Washington Post article that the best thing that could happen to the Republican Party would be for President Reagan's political influence to diminish further. This "may enable the (party) to catch up with the flow of history — by which I mean embrace a more moderate ideology... And develop an understanding that the key demand and challenge on the next presidency will be effective consolidationist government."

Similarly, a senior Administration official says one reason the White House has not been as effective in shaping political compromises as many expected when Mr Howard Baker, the former Senate majority leader, replaced Mr Donald Regan as Chief of Staff, is that a hard core of ideological conservatives is blocking moves to compromise with Capitol Hill.

Another symptom is his use of the veto to block legislation which cuts across conservative principles. The veto is one of the few weapons a President can resort to once his powers of persuasion on Capitol Hill have been eroded — both Presidents Eisenhower and Ford used the veto freely near the end of their terms. There have been fears that Mr Reagan might adopt a sterile veto strategy and prevent Congress from tackling urgent problems.

On the key issue of the federal budget deficit, there is still no sign of a compromise. The Democrats have succeeded in reaching at least the appearance of unanimity by approving a budget resolution, in both chambers of Congress, which challenges Administration prorities. They propose to raise some taxes without gutting the defence budget.

President Reagan, on the other hand, seems to have decided that, since he cannot get what he wants in terms of cuts in domestic spending and guarantees on the amounts for defence, and because the budget deficit reduction of $38bn (£24bn) envisaged by the Democrats is modest, it is not worth surrendering a tax increase.

The budget deficit may be an example of a more general trend. Whereas in the past, when his credibility was high, Mr Reagan succeeded in pushing the blame for the deficit on to Congress, recent polls suggest that the public is no longer so ready to swallow this line and that the Democrats have gained credibility on the issue of fiscal responsibility.

The picture which is emerging is of a President who, particularly on foreign policy, still has the capacity to play a significant role in the run-up to the 1988 election. But he is weakened and must pick his fights carefully, as he tries to balance the desire to defend his legacy

He risks becoming merely an obstacle to the Democrats on Capitol Hill

and retain the loyalty of his conservative supporters, against the need to be more than a mere obstacle to Democrat initiatives on Capitol Hill.

Given the signs of public scepticism about much of his conservative agenda and a public yen for problem solving—not confrontation—in Washington, the harder Mr Reagan fights for his principles and finds himself cast in the role of obstructing new initiatives, the more he will undermine his position and that of his party. It is a delicate balancing act and one the Democrats sense he is not adept enough to accomplish.

Men and Matters

Highly charged beauty contest

Lord Marshall, chairman of the Central Electricity Generating Board, took personal charge of a beauty contest between three of London's fairest merchant banks—Kleinwort Benson, Lazard Bros, and Warburg.

He had to decide which of the entrants should advise the board on the Government's privatisation plans for the industry.

Like all the best competitions this one has ended with more winners than losers.

Marshall has chosen Lazards for the CEGB. But of the other two banks left blushing on the rostrum, one—Kleinwort Benson —was promptly appointed to advise the Government on how the sale should be structured.

The bankers' fees are, as yet, unknown. But, as one man in the trade put the matter delicately: "They ain't hay."

For this will be Britain's biggest flotation, with an estimated price tag of between £15bn and £20bn for the entire electricity industry of England and Wales. If a single public company were to be created it would be among the world's 30 biggest corporations.

Peter Grant, a Lazards deputy chairman, is leading a core team of four to handle the job at the bank's director level — with him are Alexander Johnston, Duncan Clegg, and John Scott.

The bank has already accumulated a wealth of experience in privatisation work, including advising British Airways on its £900m sell-off. The newly-appointed CEGB team has been building an understanding of the electricity industry over the past four years in anticipation of Der Tag. One day this week they escaped from the bank parlour to clamber about a nuclear power station.

"So here we are then—part of the gang of 57 per cent"

Fair exchanges

More than a few Bronx cheers echoed around Rome yesterday when Franco Piga finally made known his decision to renounce his parliamentary seat, acquired less than two months ago, to return to his old job as chairman of the Consob, the regulator of the Italian stock exchanges.

Some of his colleagues in the Chamber of Deputies saw the move as depressing commentary on the pointlessness of a backbench existence, others as a gesture of contempt. But most believed it was a product of frustrated ambition.

Piga, aged 60, was tempted away from the Consob in April to become minister of industry in the Fanfani caretaker government appointed to run the country during the election period. His enjoyment of office was manifest, and it seems he needed little persuading to stand in the Christian Democratic interest in the June poll.

Disillusion may have set in just over a week ago when it became clear that his party was not going to put him back into ministerial office. That at least is the common construction being put on events.

He is the second big name to give up a seat soon after the election. The other is Enrico Manca, who was despatched by his socialist party at the beginning of the year to head Rai, the state radio and television company, and has apparently been persuaded to stay there despite his obvious yearning for the soun dof parliamentary gunfire.

Driving seat

Mr Gorbachev was late for a meeting and told his chauffeur to step on it. The chauffeur refused on the grounds that it would be breaking the country's speeding laws. So Gorbachev ordered him into the back seat and got behind the wheel.

After a few kilometres, the speeding car was stopped by a police patrol. The senior officer sent his subordinate to book the offender.

A moment or two later, the officer returned to tell his superior that the driver was much too important to prosecute. "Who is it?" demanded the police chief. "I'm not sure, sir," replied the junior officer, "but Comrade Gorbachev is his chauffeur."

Cock and bull

It is refreshing to find a team willing to poke fun at itself in the over-hyped world of public relations.

A new company, Turner Spurrier, has been formed in Hong Kong by Tony Turner Associates and Martin Spurrier, former group general manager of Hong Kong Land. The new consultancy has a formidable list of clients. Those publicly listed represent 18 per cent of the market capitalisation of the Hang Seng Index. Accounts include all the public accounts of the Jardine Matheson Group, China Light and Power, Mass Transit Railway, GEC (HK), and Electricite de France.

Turner and Spurrier also have affiliated links in Europe, the US and Asia. But their business card tells you none of this. What it does tell you is under which signs of the Chinese zodiac they were born. Spurrier was born in the year of the cock and, happily, Turner was born in the year of the bull. The major portion of their card is simply a red cock followed by a red bull with an ampersand in between. They said it.

Name change

Heinrich and Hildegard are definitely out. East German babies are increasingly being given non-German names.

When East Germany's leader, Erich Honecker, congratulated the parents of triplets born in Halle the other day he was probably not surprised to learn that they were named Kevin, David and Steve.

Honecker's congratulatory letter was handed over by one of his aides, Mrs Brunhilde Hanke. Brunhilde was popular for girls before the Second World War but disappeared afterwards. These days East German girls are being named Jacqueline, Doreen and Kay.

The trend toward non-German names does not include Russian ones despite the "eternal" political links with Moscow.

Top note

Gary Klesch of Quadrex Securities, the man trying to outbid John Gunn's British and Commonwealth for Mercantile House, obviously has the right attitude. Ring him up and while you are waiting, the phone will treat you to a synthesised version of Morell's "See, the conquering hero comes."

Observer

PRIVATISING UK ELECTRICITY

On the starting grid, but in need of a boost

By Max Wilkinson, Resources Editor

THE LATEST joke in Whitehall is that when Cecil Parkinson started his climb back into political favour as Secretary for Energy he found the first three rungs of the ladder had been sawn off.

Since 1983 the Government has avoided the important dilemmas about privatising the £37bn electricity industry—and this has made Mr Parkinson's labours much more difficult than they need have been; Herculean, some whisper.

When he took over after the election, he found that no decisions had been made about reforming the structure of the industry; the civil servant in charge of the sector had been transferred (in vintage Whitehall style) to a senior job in another department. Financial advisers had not been selected. And everything had to be sorted out by Christmas.

The new minister soon saw that this would not be easy given the complexities of the industry and strong pressures from the Tory backbenches to show that denationalisation really could be combined with a radical drive towards market competition.

The recent rumbling of discontent against British Gas and British Telecom, both sold off as giant monopolies, has made the prospect of a similar fate for electricity seem especially unattractive. Unlike British Gas the electricity industry controls production—as well as the distribution and marketing of its product.

Only a few weeks after taking office, Mr Parkinson was letting it be known that anyone still arguing for the creation of Amalgamated Electric Megacorp plc was wasting his breath, even though a single large company controlling production, distribution and sales would be the easiest to bring to market in the time available.

But if he wants to attempt anything more ambitious, time is very limited, particularly as many important conceptual problems remain to be solved before the technocrats can get to work.

Drafting the legislation and the all-important regulatory framework is expected to take at least 10 months. Preparing prospectuses, organising roadshows and generally hyping up the market could take almost as long. So, allowing a decent minimum period for public consultation and parliamentary debate, at least two years will be needed.

This means that the key decisions about how to privatise must be taken this autumn if Mr Parkinson is to meet the Cabinet's timetable for completing project in one parliament. The financial advisers, appointed last week, are therefore in for a hectic August learning how the second law of thermodynamics affects the bottom line.

The tightness of this timetable has effectively ruled out the most radical options for breaking up power generation into a number of competing private companies. Now once again, the financial experts are advising that the flotation of newly demerged companies with unproved management would be extremely difficult unless two or three years of financial track record could be established for them.

So if the Government had wanted to sell off Britain's power stations grouped in, say, four separate companies, it would have needed to start reorganising the Central Electricity Generating Board along these lines several years ago.

Even if this difficulty could be overcome, it seems unlikely that half a dozen separate electricity companies could be floated on the stock market in the 18 months to two year "window" before the next election. Nor could the sales be spread over two parliaments without creating a logistical nightmare: investors and the industry would then face the possibility that a Labour victory could catch the industry with one leg, so to speak, either side of the wire.

However, this need not mean that Mr Parkinson will be forced back to the creation of an unfettered monopoly. He will now be trying to preserve enough of the present structure for financial markets to judge future performance, but altering the balance of power, to promote competition in the supply of electricity.

At present the centre of power lies unambiguously with the CEGB, which controls the national grid of high voltage power transmission lines and owns almost all the power stations south of the border. The 12 area boards which market and distribute electricity have no generating capacity of their own, and scarcely any control over the cost of the bulk supplies obtained from the CEGB.

The Electricity Council which is supposed to be the supreme body uniting the area boards and the CEGB has limited authority in practice.

Any privatisation scheme must therefore address the long-standing problem that the

Privatisation must address the problem that the producer is much too insulated from the customer

electricity producer is much too insulated from the customer and from the pressures of the market. One answer might have been to establish a number of independent companies, similar to the South of Scotland Electricity Board which generates, distributes and sells power.

Since, this option is now effectively grounded by the timetable, the crucial question is whether the CEGB will be allowed to retain control over the transmission grid, or whether the grid should be hived off as a separate company, perhaps under state control.

The other big question is whether the 12 area boards should be grouped into four private distribution companies or completely amalgamated into one national company. Everyone agrees that 12 is too many. A strong lobby is developing to transfer control, of the grid to these distribution companies.

Whoever runs the grid, will have detailed control over the day-to-day operation of power stations throughout the country and a major influence over the strategic planning of new plant. The CEGB will argue vociferously that operation of the grid is essentially part of the management of its power plant and that the two cannot be separated without a major sacrifice of efficiency.

Others, in the Electricity Council will say that outsiders will never gain a foothold in the generating side of the business as long as the CEGB runs the grid. They claim that contractual arrangements could be worked out between an independent grid company and whoever was running power stations.

The battle over the grid, to be fought out during the next two months, centres on the so-called "merit order" system. This ensures that as demand for electricity rises and falls, only the power stations with the lowest running costs are switched into the grid. Since electricity cannot be stored, this is a technically subtle operation.

Every second of the day and night, output from the nation's 78 power stations must exactly balance demand from consumers. Failure to achieve this will result in a degradation of voltage or frequency standards or possibly a black-out. The grid controller is therefore like a conductor bringing in power plants on cue as determined by him, rather than the operator. He therefore has a major effect on the economics of individual power plants.

In the longer term, the grid company could have a central role in the strategy for ensuring that enough power stations are built to meet expected demand at peak times. At present this responsibility rests with the CEGB. If it were transferred to regional distribution companies, they would have the choice of building their own new plant, contracting for extra supplies from the privatised CEGB, or buying in power from an independent consortium.

Since Britain will need to spend perhaps £10bn on new power plant by the end of the century, proponents of this scheme say there would be plenty of scope for new competition. Instead of having a monopoly, the CEGB would have to bid in the market for a contract to supply extra power.

This might provide less of the red meat of competition than appears at first sight. The reason is that large power stations—costing £1bn or more—have significant thermodynamic and efficiency advantages over smaller ones, and the CEGB has a huge technical advantage in commissioning and operating large plant. Moreover, any private distribution company wanting to build a large plant would alter the merit order and thus the structure of costs in the rest of the country. It is highly likely therefore that a co-operative approach to new building would develop, probably orchestrated by the company which controlled the grid.

Even so, distribution companies would be able to test the CEGB's costings against open market tenders, possibly from overseas.

Since the grid is a separate division of the CEGB, pro-forma accounts could be produced to enable it to be split away from the parent at the time of privatisation. This will be seen by many as the most important test of Mr Parkinson's will to increase competition.

He also has to decide whether to tackle the difficulties of creating four distribution companies or accept the Electricity Council's argument that one national company would be a better counterweight to the CEGB. Then he needs to decide whether it would be politically acceptable for electricity prices to vary in different regions according to the success of different distributors.

He must decide what regulations are needed to protect customers against the monopoly power of distribution companies.

Then he has to consider the highly sensitive questions of how the new structure will affect the futures of the British Coal and nuclear power, not to mention the warring factions in the electricity industry itself.

And all under the commentators's gaze. As one senior official wailed: "Parkinson is doing it all completely wrong, you know; he's talking about these things in public."

Lombard

Trade unions and free trade

By Christian Tyler

TRADE UNIONS in the Western world are being shouldered aside by the present political fashion for deregulating industry. So it is rather odd to find the US, under the Great Deregulator himself, pushing for an international discussion of the role of collective bargaining in free trade.

The Americans have tabled in Geneva a little-noticed demand that the supervisory council of the General Agreement on Tariffs and Trade should set up a working party to consider whether worker rights should be more explicitly recognised in the Gatt rule-system.

Worker rights are generally understood to include freedom of association, the freedom to organise and bargain collectively, the right to health and safety at work, the protection of children and the prevention of forced labour.

Taken at face value the US proposal is commendably humanitarian. It is a reminder that trade diplomacy is not just a game of snakes and ladders for well-paid initiates in the rites of the Gatt, but is a permanent negotiation about real workers' jobs and living standards.

The US proposal is modest as well as humanitarian. It is not asking countries to do anything but talk the subject through—and a working party never hurt anyone. So why have past attempts to introduce it failed and why are developing country governments so against it?

The answer, of course, is that the attempt to link worker rights formally to trade agreements could turn out to be far less innocent than it seems. Under humanitarian guise it could prove a first-rate device for robbing cheap labour countries of their comparative advantage.

In western democracies, the loudest voices in trade policy are domestic companies and trade union leaders, since they are the people who have to face the music. They would dearly love an ethical excuse for blocking the products of cheap foreign labour that flood into their own market and force them to cut back, close down—or go overseas themselves.

Until the Americans spell out their ideas more clearly, it is hard to assess the Administration's real motive. Pressure from the US Congress and the AFL-CIO unions is certainly a big factor: the violation of worker rights appears among the list of "unfair practices" in protectionist trade bills recently passed by Congress.

The fact that the Administration is not pushing the issue very hard means either that it is just putting on a show for the trade hawks back home, or that it is genuinely committed to improving the lot of exploited workers but uncertain how to proceed.

Whatever the answer, the Western trade union movement is already celebrating a breakthrough. The International Confederation of Free Trade Unions in Brussels says it has been trying for 10 years to get a "social clause" written into the Gatt rulebook.

But trade union motives, too, are mixed.

A social clause requiring countries to meet ILO standards on pain on having their trading privileges removed could, for example, discourage the "export" of Western jobs to Asia by raising the cost of setting up factories there. It might deter Hong Kong textile companies going offshore to avoid western import quotas.

The justification for a social clause is that it seeks to deliver the benefits of open trade to the people who make the goods in the first place—an objective already stated somewhat vaguely in the preamble to the General Agreement.

If, by some miracle, a social clause were adopted by the Gatt it is conceivable that the lot of, say, tribal Indians who make printed circuit boards on the Amazon might be improved. It might help poor emerging democracies like the Philippines compete with richer authoritarian states.

The exploited deserve all the help they can get. But to stir up protectionist sentiment in one country in order to help workers win their rights in another seems a longwinded, not to say perverse, way of doing things. History suggests these rights are only won (perhaps with outside help) at the grass-roots, even if it means—as in Poland and South Korea—people taking to the streets to make their point.

Letters to the Editor

Air traffic shares

From the Chief Executive, British Airways.

Sir,—Your leader (August 4) continues to perpetuate the mistaken belief that the share of UK international scheduled traffic currently held by British Airways, and the share that would be held following a British Airways-British Caledonian merger, is somehow anti-competitive.

An overview of the UK market produces an emphatically different picture. Foreign airlines have a 57 per cent share of all the passengers travelling on international scheduled services into and out of the UK. British Airways has 34 per cent. BA and BCal together would have 39 per cent.

Even on UK-originating scheduled traffic, foreign carriers have 52 per cent, British Airways has 37 per cent and other British carriers (including BCal) have 11 per cent.

On domestic routes—a totally de-regulated environment where any carrier is free to apply for licences to fly in competition with BA — we carry 48 per cent of the traffic. BA and BCal combined would have 55 per cent, with other UK airlines carrying 45 per cent.

In the charter market BA and BCal hold 17 per cent, other British airlines 66 per cent. Charters carry 40 per cent of all air travellers in and out of this country.

Your argment that a mistake was made in not depriving British Airways of routes, and allocating them to BCal, is patent nonsense in today's international aviation climate. What point would have been served then, or would be served now, in creating two weak carriers instead of one strong enough to face the international competition?

To suggest that BCal's other options — ranging from takeover by a foreign carrier to a merger with one or more small independent airlines — is by any definition a poor substitute to a merger that will strengthen British civil aviation and be of real and lasting benefit to the customer.

(Sir) Colin Marshall,
PO Box 10,
Heathrow Airport,
Hounslow, Middlesex.

BA-BCal merger

From the Chairman and Chief Executive, Brymon Airways

Sir,—What we need is a British solution to the BA/BCAL merger dilemma. One that protects UK domestic air travellers; provides CAA with a future role; encourages a free market; relieves HMG of state intervention; safeguards BCAL's commercial position; and promotes British aviation around the world.

That solution is within reach. British airlines, like ITV companies (and for parallel reasons), are franchised. British airlines operate on Heathrow and Gatwick routes by virtue of route-licences granted by CAA. At any time a rival British airline can seek route entry, or even replacement.

So far, no formal route performance criteria exist for British airline-entry onto domestic Heathrow and Gatwick routes. (Entry on other British domestic routes is virtually for the asking, and international routes are subject to quite separate traffic-rights bargaining criteria.)

Today is an ideal moment to develop route performance criteria, and BCAL's domestic routes make an ideal starting-point.

CAA should have no difficulty in setting price, quality, and return on investment criteria for BCAL's domestic services which BA should be required to achieve in an agreed period after merging with BCAL. A failure to achieve those criteria in the agreed time could be taken as prima facie grounds for parallel entry or even substitution by a rival, willing, airline. Rival claims would be formally tested at a CAA public hearing.

By so instructing CAA, Secretary of State for Transport could in a single move protect UK air travellers, save BCAL's pioneering achievements, safeguard other British airlines currently exploiting their own market-niches (including Heathrow and Gatwick slots), while advancing British aviation worldwide.

Charles Stewart.
City Airport,
Crownhill,
Plymouth, Devon.

Common sense pension scheme

From Mrs G. D. Kaye

Sir,—Mr Hall (July 28) asks "is there really any need to continue the operation of benefit limits at all, provided that some machinery exists to regulate contribution levels in such a way as to avoid tax abuses?" Research conducted in the Actuarial Department at City University has demonstrated that in the majority of cases even supervision of contribution levels is not required.

The taxation of emerging benefits in pension form means that, in theory, the Revenue eventually recovers the tax which has been deferred from the contributions or from the investment return which has gone to build up the resources of the fund. Although there is deferment of tax, it will depend on the tax circumstances of the company and/or individual, whether in practice there is any long-term advantage. Certainly, much of the detailed scrutiny by the Inland Revenue to prevent tax avoidance would appear unnecessary, and even in some cases counter-productive, when one considers the opportunity cost of the specialist time utilised by both the Inland Revenue and other involved professionals. (It is recognised that detailed monitoring may be required in particular areas where the Revenue may be most concerned about potential abuse, for example, in situations where there are controlling shareholder/directors.)

The administration of pension schemes would be greatly simplified both for the Revenue and for pension practitioners if the *normal* requirement of approval would be merely that the employer should contribute to the fund and the fund should be established under trust. The detailed work of scrutiny of complex documents and control of contributions and of benefits would fall away.

G. D. Kaye,
The City University,
Northampton Square, EC1.

Extraordinary nonsense

From the Senior Technical Officer, Chartered Association of Certified Accountants

Sir,—Edwin Whiting (July 30) cannot be serious when he asks that Whitehall civil servants should take over the task of deciding what should or should not be an extraordinary item. There is no sensible single method solution available—if there were, the accounting profession would have embraced it years ago. It is obviously possible to impose an inflexible codified system but it is doubtful if the end product would have any real meaning.

The securities markets depend for their efficiency (such as it is) on the timeliness and confidentiality of the financial reporting process. The prospect of companies and their auditors publicly slogging it out in court against the DTI over the interpretation of a sub-clause of the Companies Act 1991 is an entertaining one but one that should not be pursued too far. Such a procedure would inevitably turn auditors into advocates for their clients and if you believe (as some do) that auditors are insufficiently independent at present such a move could only make things worse.

The solution lies, as solutions often do, in a mixture of education and increased disclosure. Companies should disclose more about unusual and non-recurring items or transactions (and this can cover a whole range of issues, not just extraordinary items). Analysts and other users should obtain a firmer understanding of the nature of the financial reporting process—after all, it is their funds which are at stake. Auditors should remember that borderline decisions have a habit of becoming public knowledge and so should prepare themselves for the consequences of those decisions.

R. C. Adams.
29 Lincoln's Inn Fields, WC2.

A strategy for electricity

From Mr S. Steward

Sir,—Lord Ezra hits the nail on the head when he points out (Aug 4) that competition in electricity supply can only be secured if the national transmission system is separate from generation.

In the distribution of electricity there can be no competition between areas, but competition with gas will intensify when both industries are in private hands. It is only in generation that real competition can be introduced and this will mean splitting the CEGB into two or more generating companies. Only in this way can there be a competitive choice of significant power supplies, including those from France, Scotland and industrial concerns. The key to this is the "grid," the common carrier of electric power, and if there is to be uninhibited competition, the "grid," and its system control, cannot remain with the generating companies.

The time-scale is crucial, but Mr Parkinson would be unwise to allow what he has called "the trade-off between time and complexity" to dissuade him from securing genuine competition in what would otherwise remain a powerful monopoly. He can avoid this by proceeding in stages. Distribution can be privatised by means of a holding company owning autonomous area boards. The "grid" can be separated from the CEGB and operated as a public utility on the lines of the original CEB. The CEGB can then be given time to re-shape its organisation to create a more competitive structure before eventual privatisation.

In this way the Government will achieve its objective of providing effective competition while safeguarding the national interest.

Stanley F. Steward.
41, Fairacres,
Roehampton Lane, SW15

FINANCIAL TIMES

Friday August 7 1987

Cautious welcome for Nicaragua initiative

BY DAVID GARDNER IN GUATEMALA CITY AND LIONEL BARBER IN WASHINGTON

PRESIDENT DANIEL Ortega of Nicaragua yesterday cautiously welcomed the new US diplomatic initiative aimed at resolving the conflict in Nicaragua as "a positive framework through which to advance."

But Mr Ortega, who arrived in Guatemala City yesterday to attend the five-nation regional peace summit of Central American presidents, warned immediately that "if the US does not sit down and talk to us, it will show that this is nothing but a publicity stunt."

In Washington Mr George Shultz, US Secretary of State, gave strong support for the peace summit and held out the prospect of peace talks with the Nicaraguan Government. He said the Reagan Administration was willing to talk with all Central American countries, providing it helped the regional peace process.

President Ortega, speaking in a conciliatory tone, underlined that the fact that the US was putting forward the initiative "proves that the conflict is an external one, not an inernal one."

He added: "Reagan owns the circus: you have to talk to the owner, not the clowns," in a dismissive reference to the US-backed Contra rebels.

The only conditions for talks he outlined were that Nicaragua would seek security agreements in the talks "since both sides feel threatened," that Managua would seek an end to all foreign military presence in the region and the conversion of central America into a neutral zone.

The unexpected US bid on Wednesday to revive negotiations had called into question the future of the regional peace proposals put forward by President Oscar Arias of Costa Rica in February. His proposals include a peace initiative not only for Nicaragua but also for El Salvador and Guatemala.

President Reagan's six-point peace initiative for Nicaragua set a 60-day deadline for a ceasefire and the restoration of civil liberties, as well as the withdrawal of Soviet bloc advisers. The plan received a mixed reception in Congress.

President Vinicio Cerezo of Guatemala, the summit host, made it clear yesterday that the Arias plan would remain the focus of the summit. He warned that if the US initiative was an attempt to torpedo the summit, it would fail.

Scepticism over President Reagan's plan centres on the clause stipulating the 60-day deadline. The deadline coincides with the expiry on September 30 of a $100m US military aid package for the Contras.

Reagan wrong-foots peace summit

BY DAVID GARDNER

THE PRESIDENTS of five Central American countries began their postponed regional peace summit in Guatemala City yesterday, visibly wrong-footed by the Reagan Administration's new diplomatic initiative towards the left-wing Sandinista regime in Nicaragua.

The US initiative, launched in response to the peace plan put forward six months ago by President Oscar Arias of Costa Rica, immediately put a spoke in the summit wheels. Foreign ministers from the five countries, here preparing the meeting's agenda, skipped a meeting arranged for Wednesday morning for example, instead gathering information on the 11th-hour US plan from American news buelletins and their own governments.

The Reagan plan calls for an immediate ceasefire in the Nicaraguan civil war on terms acceptable to the Sandinistas and the US-backed Contra rebel armies, followed by the lifting of all restrictions from the opposition and a timetable and procedure for new elections to be agreed within 60 days.

The call for new elections has in the past been rejected by the Sandinistas, who came to power in the 1979 overthrow of the US-backed Somoza dynasty and formalised their control of government in 1984 elections in which most of the Nicaraguan Right refused to take part, claiming that the Sandinistas were denying them basic rights to organise.

The US plan has been greeted

Arias: Washington opposed his initiative for region.

with private scepticism and cautious public approval by officials from Costa Rica and Guatemala - the main sponsors of this week's regional summit. These officials recall that it was basically Washington's objections to the Arias plan which caused the summit to be postponed in June.

The initiative has been received more warmly by officials from El Salvador and Honduras, Washington's closest allies in Central America, who together will receive US aid of over $1bn this fiscal year.

But Nicaragua, the target of the US initiative, has shrewdly given the plan a cautious welcome, calling for the immediate resumption of bilateral talks with the Reagan Administration, broken off three years ago.

Initially, Father Miguel D'Escoto, the Nicaraguan Foreign Minister, remarked caustically here that Mr Reagan, now failing as the Great Communicator as a result of the Irangate scandal, was trying his hand at "becoming the Great Manipulator."

But President Daniel Ortega's statement in Managua later in the day, intended to demonstrate internationally that his government was prepared to take the US Administration at its word, now opens the possibility that talks between the two sides will indeed resume.

This temporarily eclipses the regional intent behind the Arias plan, which called for an end to military activity in all Central American countries, prior to talks between governments and "unarmed internal oppositions" leading to simultaneous elections across the isthmus to a Central American parliament.

The US Administration, by contrast, addresses itself exclusively to its political dispute and proxy war with the Sandinistas. It ignores, for example, the more intractable civil war in El Salvador, where its economic and military support underpins the survival of the Christian Democrat regime, as well as the future of the Honduras-based Contra armies.

Most Latin American and Western European diplomats and officials here were inclined to see the sudden US revival of a twin negotiating track in a largely military-oriented Central American strategy as a ploy to get Congress to approve new sums for the Contras in October.

But almost everyone was prepared to dismiss the initiative out of hand, arguing that resumed talks held risks for both sides. If and when negotiations go ahead, one Western European dipolomat argued, it would require delicate political management of public, and particularly US perceptions in the apportioning of blame should the talks fail, as most observers assume they would.

The Sandinistas, in particular, appear extremely chary, arguing that it is not widely appreciated that they offered to meet "all genuine US security concerns" at the series of talks they held with administration officials in Mexico throughout 1984.

As officials here started adding up the pluses and minuses of the new US approach, it was also noted that Washington appears to be seeking to push aside the efforts of the Contadora group of Latin American nations in favour of explicitly involving the Organisation of American States, in which the US voice is dominant.

One Latin American official noted at the same time that the US appears to have dropped its demand that Managua negotiates directly with the Contras, whose role in the conflict appears increasingly to be one of pawns.

George Graham in Paris reports on problems facing the French Prime Minister

Chirac in need of an image booster

MR JACQUES Chirac, the French Prime Minister, has come under considerable pressure during the last few weeks - perhaps more than at any time during his complex 18 month "cohabitation" with the socialist President, Mr Francois Mitterrand.

The confrontation with Iran, coming on top of signs of a schism within his right-wing governing majority, have placed him under great strain.

Always an energetic and impetuous man, Mr Chirac has snapped back at critics who raised questions about his dealings with Iraq and Iran, but succeeded only in further harming his image.

He now trails a long way behind his main rival on the right for next year's presidential elections, Mr Raymond Barre, who has overtaken President Mitterrand in the opinion polls.

In a poll published in yesterday's Paris Match, Mr Barre won the confidence of 49 per cent, while Mr Mitterrand slipped by 3 points to 48 per cent.

Although Mr Chirac marginally improved his rating, the 38 per cent confidence vote still placed him fourth behind Mr Michel Rocard, the former socialist agriculture minister, who continues to stalk Mr Mitterrand in case the President decides against re-election.

The problem of Iran, which seems unlikely to have an quick solution, weighs heavily on Mr Chirac.

Although the crisis has been managed jointly by Mr Chirac and Mr Mitterrand, with a great insistance on national unity, the President's supporters have pointed out that the policy of normalising relations with Iran was Mr Chirac's alone, and not Mr Mitterrand's.

If that policy now seem as ill-advised, so too is Mr Chirac's angry reaction to claims by Mr Hashemi Rafsanjani, speaker of the Iranian parliament, that France's right-wing parties had urged Iran to delay the release of French hostages in Beirut until after the election in March 1986.

In a television interview last weekend, Mr Chirac responded to socialist leaders concerned about the accusations by threatening to release further details of a number of skeletons in the left's closet - the bombing of the Greenpeace Rainbow Warrior or the framing of three Irish citizens on terrorism charges.

This threatened retaliation appears to have been misjudged. Its immediate effect was to lead many Frenchmen to doubt the denial of Mr Rafsanjani's charges.

Similar doubts persist over his denial that he had promised Iraq to rebuild the Osirak experimental nuclear reactor, which was bombed by Israel in 1981.

The Canard Enchaine, the satirical newspaper which published the claim, may not have chosen the most patriotic moment. All the same, Mr Chirac's reply that his leaked telex referred to the rescheduling of Iraq's debt has attracted some scepticism and an inquiry has been started.

For a while Mr Chirac had seemed to regain control after losing the initiative last winter in the face of student riots and public transport strikes. He also acted earlier this year when his coalition was badly shaken over what stance to adopt towards the extreme right-wing Front National.

This problem remains unresolved. Mr Chirac has refused any form of barter at the national level, while recognising that local right-wing parties may have to deal with the Front, as happened in recent municipal elections in Grasse.

France's economic performance has also been a problem. Although discussion of the country's decline has faded after a bout of pervasive pessimism at the end of June, its recent economic record has been weak.

The trade deficit has been strikingly large, and growth for the year is estimated at between 1.3 - 1.5 per cent.

Mr Chirac has, therefore, shifted the emphasis of his speeches, harshly attacking the former socialist government's management of the economy.

In fact, the economic outlook is not all gloomy. Wage increases are under control, improving competitiveness, and prospects for growth and exports are considerably stronger in the second half of year than in the first.

But whatever happens on the economic front, Mr Chirac's political future remains under the immediate shadow of the Iran crisis. Its unpredictable weight bears more heavily on him than on Mr Mitterrand or Mr Barre.

Dr Owen: pledged to continue merger fight

Owen quits over UK party's vote to merge

By Peter Riddell and Tom Lynch in London

DR DAVID OWEN yesterday resigned as leader of the Social Democratic Party in Britain within minutes of the announcement that a majority of party members had voted, against his advice, in favour of discussions on a merger or union with the Liberal Party.

Dr Owen immediately made clear that he would continue to lead the fight against merger and for a separate SDP during the negotiations this autumn and winter. This means that there are likely to be further lengthy and bitter battles within the party.

The SDP and the Liberals have occupied the centre ground of British politics as an Alliance working together as a parliamentary force, but the parties have retained separate identities. Pressure for a merger grew after the Alliance's poor showing at the last general election.

After a month-long SDP ballot, some 57.4 per cent of members voted in favour of the principle of merger, with 42.6 per cent supporting the alternative of preserving the identity of the SDP within an Alliance. The turnout of the party's 58,500 members was nearly 78 per cent so about 44 per cent voted for merger.

Dr Owen said: "In the circumstances I do not believe I should continue as leader during the period of the negotiations." This deliberately leaves open the possibility of him becoming leader again if the merger talks fail.

He said he would "remain as a matter of conviction the SDP MP for Plymouth Devonport throughout this parliament and hopefully for longer. I will continue to lead the campaign for Social Democracy and I will work with Social Democrats, in parliament and in the country, who wish to do the same."

Dr Owen's dramatic move means that the SDP now looks almost certain to split with one group around him remaining independent and another, associated with the newly-ennobled Mr Roy Jenkins and Mrs Shirley Williams, the party president, joining with the Liberals to form a new party.

Mr David Steel, the Liberal leader, described Dr Owen's resignation as "a logical and not surprising development, which I nevertheless regret."

Mr Steel also raised questions about his own future when he said in a television interview: "There is a strong case for somebody who is not David Owen and is not David Steel being leader of a merged party."

Dr Owen, Labour Foreign Secretary from 1977 to 1979 and one of the party's founding Gang of Four, has been leader of the SDP since the 1983 general election when he took over from Mr Jenkins.

THE LEX COLUMN

Mugged by an Old Lady

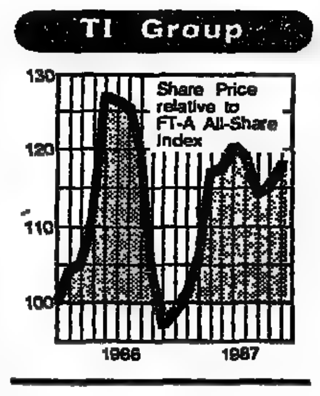
The bullet that gets you, they say, is the one you never hear. As the market toppled face forward yesterday, its immediate reaction was bewilderment at what the Chancellor was up to. Next week's economic figures were expected to be bad, but could they be that bad?

Further reflection in the prone position prompted the thought that this was a strategic rather than tactical move by Mr Lawson. If the overheating argument has, after all, won the day with the authorities, there is sense in making a firm preemptive statement to the markets. The more devious analysts concluded that there could be a tactical element in the timing: if next week's trade figures are in fact better than the market is expecting, what better to soothe the market after yesterday's nasty shock?

From the market's own technical viewpoint, on the other hand, the timing could scarcely have been worse. The £3bn of newly-issued stock sitting with the underwriters was already creating problems before the Chancellor's bombshell, as shown by the spectacular flopping of the WPP rights issue the previous day. The slump in equities - the FT-SE 100 index had an unbroken fall of 87 points at one stage - now ensures that the entire market is suffering from a stock overhang.

A whole series of issues from Thorn EMI to Smiths Industries and Trafalgar House are now near or below theiroffer prices. WPP itself closed yesterday 55p below the issue price at 820p, while everyone's current villain, Blue Arrow, saw its price cum rights close at 640p - a perilous 10p above the price of an issue worth £837m. Blue Arrow's cheek in announcing another £0.5m acquisition yesterday was one of the few bright spots around.

For market strategists, another bright spot is that with equities at these levels they can start to think about valuation levels again, instead of plucking figures out of the air as in recent months. Sadly, even another 100 points off the FT-SE 100 would still put the market on a historic multiple of 17 - the peak for 1986. Although the political uncertainty of last year is removed, it is equally true that growth rates for corporate profits are one year nearer their eventual and inevitable decline. And with gilts matching equities in the steepness of their plunge, the yield ratio still



shows equities as relatively dear.

London is still not seriously out of line with other world markets, and further major falls could see international money coming back - especially if sterling stays as steady as it did yesterday. But for the domestic fund manager with money in his pocket, what could be more sensible than to let someone else be the hero who finds the market's floor?

Mercantile House

The ground for the Mercantile House bid battle has been the City banking parlours rather than the open arena of the stockmarket. Mercantile's apparent fondness for late night and somewhat obscure statements, such as that on Wednesday evening, yesterday became too much for Quadrex, the potential rival to British and Commonwealth as bidder. Its announcement that it had put an offer of 560p in cash to Mercantile on Wednesday morning, conditional on Mercantile's agreement, was the first that the offeree's shareholders had officially heard of the proposed terms.

Mercantile can argue that the conditional element meant that no Quadrex offer existed unless the board agreed it. And in its position as custodian of shareholders' interests it may have felt that there was no need to tell them all. But this smacks of "nanny knows best", and raises the suspicion that Mercantile's loyalties are not entirely where they should be. An offer of cash, at a higher price than the B and C paper bid, was looking mighty attractive in yesterday's conditions, and some shareholders were taking the equivalent by selling to Quadrex through the market.

While Mercantile was not responding to Quadrex's advances, B and C was presumably spending the day trying to put together a yet higher bid. If B and C announces one today, it will deserve respect as one of the wonders of the corporate finance world given the current climate. Mercantile may have all sorts of valid objections to Quadrex's offer, which could even justify it recommending a lower one from B and C. But while it thinks of them, there are shares being traded, and shareholders in the dark.

TI

TI is now a company with a mission statement, full of high-sounding phrases about strategy. That may sound rather business school, but it is a whole lot better than the old Tube Investments which appeared to thrash about to little purpose. Stripped down to the specialist engineering businesses and with net cash of £90m, TI is now poised to start rebuilding. Indeed the Armco purchase earlier this year marked the beginning.

So long as acquisitions do not prove so hard to find that it is tempted to abandon its targets of 10 per cent margins, 20 per cent return on assets and growing earnings per share, TI ought to be able to regain its long-lost City credibility. The still relatively new chief executive, Chris Lewinton, seems to have won confidence even though much of the work done so far was initiated before he arrived.

The rise in half year pre-tax profits, from £18.1m to £25.1m, owes as much if not more to gains in the profits of continuing businesses as to loss elimination and lower interest charges. Even so, trading margins at 7.3 per cent are still well below the realistic-looking goal of 10 per cent, so there should be scope to squeeze yet more from the old businesses too.

The timing of acquisitions, and the return made meanwhile on the cash from the domestic appliance group sales, better since yesterday, makes forecasting the full year uncertain. However, the prospective p/e, on a share price of 380p, up 4p on the day despite the slide, is probably around 12.5 - bare recognition of the progress so far.

US accuses Moscow

Continued from Page 1

the ageing Pershings, once they were declared obsolete, would not be replaced with new US missiles.

However, the US official acknowledged "positive aspects" in the speech. He welcomed recent Soviet decisions to accept a double-zero INF solution and to continue talks for a 50 per cent reduction in long-range strategic weapons.

Mr Friedersdorf also described as important and constructive Mr Shevardnadze's invitation to conference delegates to visit a Soviet military plant at Shikhany for destroying chemical weapons.

Mr Shevardnadze appeared to move towards US demands for mandatory challenge inspections to be included in the verification procedures of the convention. However, Western delegates said similar Soviet statements on inspections in the past had not materialised

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	23	73	Malta	S	27	81	Rhodes	S	27	81
Algiers	S	35	95	Edinburgh	C	13	55	Manchester	F	15	59	Rio de J'o	S	26	79
Amsterdam	R	13	55	Faro	C	23	73	Manila	S	33	91	Rome	F	28	82
Athens	S	31	88	Florence	S	27	81	Melbourne	F	15	59	Salzburg	C	14	57
Bahrain	S	37	99	Frankfurt	F	15	59	Mexico City	C	25	77	San Francisco	C	22	71
Bangkok	S	35	95	Funchal	C	25	77	Miami	C	31	88	Seoul	C	27	81
Barcelona	C	20	68	Geneva	S	17	63	Milan	F	21	70	Singapore	F	29	84
Beirut	-	-	-	Gibraltar	S	27	81	Montreal	C	26	79	Stockholm	C	16	61
Belfast	F	14	57	Glasgow	F	14	57	Moscow	C	24	75	Strasbourg	F	17	63
Belgrade	F	20	68	Guernsey	F	15	59	Munich	F	14	57	Sydney	S	17	63
Berlin	R	12	54	Helsinki	C	17	63	Nairobi	S	27	81	Taipei	S	37	99
Biarritz	C	19	66	H. Kong	S	31	88	Naples	S	28	82	Tangier	S	24	75
Bombay	F	30	86	Innsbruck	S	17	63	Nassau	C	33	91	Tel Aviv	F	31	88
Bordeaux	C	18	64	Inverness	R	11	52	New Delhi	F	33	91	Tenerife	S	26	79
Brussels	S	17	63	Islamabad	C	39	102	New York	S	34	94	Tokyo	C	28	82
Budapest	F	19	66	Istanbul	S	30	86	Nice	F	25	77	Toronto	C	30	86
B. Aires	C	11	52	Jakarta	C	31	88	Nicosia	-	-	-	Tunis	S	31	88
Cairo	S	35	95	Jersey	C	19	66	Oporto	C	22	72	Valencia	S	35	95
Cape Town	S	22	72	Jo'burg	S	15	59	Oslo	R	14	57	Venice	S	21	70
Caracas	C	26	79	Lima	C	20	68	Paris	F	19	66	Vienna	F	15	59
Casablanca	S	25	77	Lisbon	F	24	75	Peking	C	23	73	Warsaw	F	16	61
Chicago	C	28	82	London	C	19	66	Prague	S	10	50	Washington	S	28	82
Cologne	F	16	61	Los Angeles	S	32	89	Reykjavik	S	13	55	Zurich	F	16	61
Copenhagen	F	15	59	Luxembourg	F	14	57								
Corfu	S	30	86	Madrid	S	26	79								
Dallas	S	26	79	Majorca	F	28	82								
Dublin	C	15	59	Malaga	S	31	88								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK publisher seeks Elsevier alliance

BY LAURA RAUN IN AMSTERDAM AND RAYMOND SNODDY IN LONDON

MR ROBERT MAXWELL, the UK publisher, yesterday disclosed that he had bought 9 per cent of Elsevier and confirmed that he was seeking an alliance with the Dutch publishing group.

An alliance between Mr Maxwell's British Publishing and Communications Corporation (BPCC) and Elsevier would create the world's largest publisher of scientific journals and one of the largest communications companies.

Elsevier shares were temporarily suspended on the Amsterdam stock exchange yesterday amid speculation that Mr Maxwell was about to launch a takeover bid for the company.

Despite sharp rises on the Dutch exchange, Elsevier closed only marginally up at Fl 64.

Mr Maxwell emphasised to Dutch journalists in London that his intentions were friendly.

In advance of a meeting with Mr Pierre Vinken, the Elsevier chairman, expected in London next week, the publisher of Mirror Group Newspapers said: "Nobody can make Elsevier be taken over if management does not judge it to be in the interest of the company and shareholders".

He said yesterday he was prepared to pay cash for Elsevier, which has a market capitalisation of £1bn ($1.57bn), but refused to be drawn on precisely what form an alliance would take.

One possibility is the joint launch of the first Dutch national Sunday newspaper.

Mr Vinken has already indicated his willingness to listen by accepting Mr Maxwell's invitation to talks in London. The Elsevier chairman also apparently gave his blessing to Mr Maxwell's efforts to raise his stake in the Dutch company.

But Mr Vinken has stated his belief that the company may need to join with another major communications company to continue growing in the increasingly competitive world of international publishing.

Maxwell woos the Netherlands, Page 17

UK airlines' merger to be scrutinised

Continued from Page 1

Apart from the direct question of increased market dominance by BA and BCal, Lord Young has been concerned about the impact on the Government's own civil aviation policy

That policy over recent year has been based on BCal as the primary "second force" airline competitor to BA on both short-haul European and long-haul international routes.

The merger would effectively kill that concept, requiring the Government totally to review its attitudes to civil aviation.

A feature of such a review would be the need to find some formula to ensure the long-term survival of the rest of the independent air transport industry against anti-competitive behaviour by the combined BA and BCal.

Such a move might go some way towards easing the strong hostility from a majority of independent airlines to the proposed merger.

The referral was widely welcomed by other independent airlines last night.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday August 7 1987

Top reshuffle at Unisys stresses marketing effort

BY RODERICK ORAM IN NEW YORK

UNISYS, the US computer group created last year by the merger of Burroughs and Sperry, has restructured its top management to emphasise marketing after a year devoted mostly to consolidating operations.

"We must build a stronger marketing-based company to complement the strong technology and product base", said Mr Michael Blumenthal, Unisys chairman.

Wall Street has been impressed by the speed with which he has forged Unisys out of the predecessors companies. It has already benefited financially from the rationalisation, turning in second-quarter net profits of $121.2m on revenues of $2.3bn.

On a pro forma basis, earnings per share were up 15 per cent at 62 cents a share, helping to fuel the 50 per cent rise in share price since January.

"The real test is still a year away," said Mr George Elling, a computer industry analyst for Oppenheimer & Co. in New York. "Higher profits have come so far from cost savings rather than revenue growth. It remains to be seen if Unisys can use its new competitive strength to build up its market share and sales."

A new management board with four former Burroughs executives and three from Sperry will report to Mr Blumenthal. This will "speed decision making and improve staff support to line organisations," he said. It replaces the four-man executive office created to implement the merger.

The main surprise to analysts was the resignation of Dr Paul Stern as Unisys president with effect from December 31. Dr Stern, who was Mr Blumenthal's deputy at Burroughs, said in a statement he was leaving to pursue "family and investment interests". His replacement has yet to be appointed.

The role of vice-chairman is retained by Mr Joseph Kroger, former Sperry president. As a member of the new management board he will "assist the chairman in oversight of company affairs and help implement the Unisys marketing-growth strategy", the company said.

International operations will report to Mr James Unruh, executive vice-president. Mr Graham Murphy, president of the Europe/Africa division based in London, was singled out in an internal company notice for a leading role in helping the management board set Unisys' international strategy.

Three US insurers post sharp advances

By Our New York Staff

THREE US insurance companies yesterday reported strong advances in earnings, reflecting the continued strength in the recovery of the property/casualty industry.

American International, Continental and Geico reported gains ranging from 40 per cent to almost 90 per cent in their after-tax operating profits.

In addition, American International and Geico realised sizeable capital gains on investing the premiums they received from their insurance business.

American International, the largest of the three, also attempted to dispel some of Wall Street's gloom about the industry, where investors fear that the big profits being made will attract new entrants and cause the sort of ruinous rate war that almost destroyed the property/casualty industry three years ago.

Mr M. R. Greenberg, chief executive, said: "We do not see a disorderly market at this time; nor do we foresee an environment where underwriting discipline is disregarded and rate levels continue endlessly downward."

American International reported a 52.8 per cent increase in net operating income in the June quarter to $235.2m on a 26.4 per cent rise in revenues to $2.72bn.

The improvement was due mainly by a 26 per cent rise in net premiums in the general insurance business, where American International actually booked a $12.9m underwriting profit even before investment income.

Including realised capital gains, American International reported net income up 61.6 per cent at $262.1m or $1.61 a share.

Continental reported an 87 per cent increase in its net operating income to $83.8m, but took a $49.9m capital loss on the sale of taxable bonds for net income of $33.9m

UK PUBLISHER OUTLINES INTENTIONS FOR ELSEVIER

Maxwell woos the Netherlands

BY LAURA RAUN IN AMSTERDAM AND RAYMOND SNODDY IN LONDON

MR ROBERT MAXWELL, the flamboyant British publisher, yesterday flew 12 Dutch journalists to London in his executive jet and told them of his "love and respect" for the Netherlands.

Mr Maxwell's esteem for things Dutch came as he outlined his hopes for an Anglo-Dutch marriage with Elsevier, one of the largest Dutch publishers.

The chairman of the British Printing and Communication Corporation (BPCC), the publicly quoted printing and publishing company, aims to convince not only the Dutch journalists but also Mr Pierre Vinken, chairman of Elsevier, of his honourable intentions.

The courtship of Elsevier, the Amsterdam-based publishing group whose interests range from scientific journals to newspapers and consumer magazines, is part of his strategy to turn BPCC into an international publishing group with a turnover of between £3bn-£5bn ($4.7bn-$7.9bn) with earnings to match by 1990.

The combined companies would have an estimated total turnover this year of about £1.5bn and, through Maxwell's ownership of Pergamon Press, would create the world's largest publisher of scientific and technical journals.

Mr Maxwell said yesterday: "Pergamon and Elsevier have a great deal in common. We are both recognised as European companies which want to be global players in information and communications."

Robert Maxwell

When Mr Maxwell and Mr Vinken meet in London, probably next week, they are likely to find they have much in common.

Mr Vinken, who has already been called the "Robert Maxwell of Holland" after a particularly bitter takeover battle in The Netherlands, has often forecast that the internationalisation of publishing would lead to a "top 10" of major players. He wants Elsevier to be one of them in some form.

The BPCC chairman emphasised yesterday that Mr Vinken recognised that "if Elsevier is to remain – as I have – a major player then it must associate with larger units."

Mr Vinken is known to have talked to a wide range of English-language publishers over the past few years including Pearson (publishers of the Financial Times) and Reed International.

Mr Maxwell said: "Although I am the last in line to have talks, I am the only one that is a publisher like Professor Vinken."

The BPCC chairman and publisher of Mirror Group Newspapers hopes he can woo the Dutch with an ostentatiously friendly approach that appears to leave open a wide range of possibilities from takeover to co-operation.

If Mr Maxwell should want to buy Elsevier it could cost him about £1.3bn for a company now capitalised at £1bn and which has net profit of Fl 122.6m ($8m) on a turnover of Fl 1.57bn.

Dutch analysts expect Elsevier profits to continue growing about 20 per cent this year and next.

Mr Derek Terrington, publishing analyst at stockbrokers Philips and Drew said yesterday that the two companies matched quite well, but warned that because of the present high prices being placed on publishing companies a Maxwell takeover could lead to dilution of BPCC earnings per share.

The combination of Mr Maxwell's recent £830m rights issue and any acquisition of Elsevier could reduce earnings per share from 25.2p in 1986 to about 19p next year.

If Mr Maxwell fails to reach agreement with Mr Vinken he indicated yesterday that would be the end of the matter. Should he attempt to go over the heads of management direct to the Elsevier shareholders with a tender offer, a possibility which has been floated in the Dutch press, it would not necessarily give him control of the company.

Elsevier has a great many locks on the door to keep out hostile predators – not least the fact that management has effective control through its own powers and friendly foundations which hold preferred and priority shares.

Aware of the strength of Dutch defences against hostile takeovers, Mr Maxwell has chosen the friendly path but his intentions towards Elsevier are still deadly serious.

"This is not a Stock Exchange game. We are serious investors," says the man who has vowed to overtake Mr Rupert Murdoch as an international publishing tycoon by the end of the decade.

Dome Petroleum says financing plan terminated

By Robert Gibbens in Montreal

SEVERAL of Dome Petroleum Limited's lenders have refused to extend last May's interim financing plan to August 31, except on unacceptable terms, the company said.

The financially hard pressed Canadian oil group said this meant its interim plan was technically terminated, and that the company was in default under most of its loan agreements.

Dome said it would go on making payments from cash flow to its lenders, based on the provisions of the plan would not affect the company's daily operations.

Dome also said the Marubeni Corporation of Japan had started an action in the Federal Court of Canada to possess a drilling vessel which secured a US$87m loan to Dome.

GM launches sales incentive campaign

BY JAMES BUCHAN IN NEW YORK

GENERAL MOTORS, the world's biggest motor manufacturer, yesterday started its most generous ever sales incentive campaign in an effort to revive its flagging sales and protect its shrinking market share.

The campaign, which surprised Wall Street and competitors with its scale, offers bargain loan financing of as low as 1.9 per cent or rebates of up to $1,000 to clear around 1m unwanted 1987 cars from dealers' yards.

The incentives, which run until the end of the model year on September 30, mark GM's third year-end clearance sale in a row and seem bound to condemn GM to a large third-quarter loss.

Last year's 2.9 per cent financing offer produced a September quarter operating loss of $338m and GM had sought to avoid inducements this year with big production cuts in the summer.

"These vehicles must be sold to make way for an orderly beginning of the 1988 model year," said Mr Bud Moore, vice-president for sales at GM.

If GM's inventory has largely been cleared by then, the company could be particularly vulnerable to strike action, analysts say.

Despite last year's year-end clearance, GM's share of the US car market fell from well over 40 per cent last year to under 38 per cent by last month in the face of competitive campaigns from Ford and Chrysler.

'Clear improvement' in Swiss Re profits

BY JOHN WICKS IN ZURICH

PROFITS of the Swiss Reinsurance group showed a "clear improvement" last year, according to the parent company in Zurich. In 1985 consolidated earnings had already risen more than 20 per cent to a record SFr145m ($640m).

Although exact results will not be known for some weeks, the company expects a further increase at about the same rate. This is attributed to a continued reduction in underwriting losses from non-life re-insurance business and an anticipated higher profit from life assurance and re-insurance activities.

Group premium income is said to have increased about 5 per cent in re-insurance and "a good 6 per cent" in direct insurance operations.

These growth rates are, however, in local currencies. In Swiss franc terms, premiums fell almost 10 per cent for re-insurance activities and rose only 4 per cent for direct insurance.

In 1985, total gross premiums had already dropped by 3.3 per cent to SFr11.15bn.

Investment income after write-offs and value adjustments is seen as remaining at about the 1985 level of SFr1.08bn, the expansion of the overall investment portfolio offsetting lower interest rates and unfavourable exchange rates.

The parent company, Swiss Reinsurance, expects its Swiss franc premium income to fall about 3 per cent in all. However, 1986 profits are reckoned to be about 15 per cent on the SFr119m recorded for the previous year.

At its last shareholders' meeting, the company announced increased dividends for 1985 of SFr120 per share (1984: SFr115) and SFr24 (SFr23) per participation certificate.

Deutsche Bank buys management firm stake

By Haig Simonian in Frankfurt

DEUTSCHE BANK, West Germany's largest commercial bank, is buying a 24 per cent stake in Roland Berger & Partner, one of the country's leading management consultancy groups.

No price for the deal has been disclosed, but the bank says it intends to raise its holding to a qualified majority by thet end of next year.

Roland Berger & Partner, based in Munich, is believed to be Germany's second largest management consultancy group after McKinsey, with a gross turnover of about DM 100m ($53m). Established in 1967, the 21-partner firm has about 250 employees, of whom 180 are professional consultants.

Buying the stake is an important step in developing Deutsche Bank's advisory activities, said Mr Alfred Herrhausen, its co-speaker. The bank is already active in financial advisory work for clients through DB Consult in Germany and indirectly through Vaubel & Partners in Tokyo.

However, buying Roland Berger will boost consultancy services, which is the third branch of the bank's three-point expansion plans, and which has lagged behind developments in commercial and investment banking, said Mr Herrhausen.

The consultancy firm will continue to be run along present lines as an independent operation from its Muinch headquarters, said Mr Roland Berger, its founder. However, it will be setting up a new company next year together with Deutsche Bank, called Deutsche Gesellschaft fuer Mittelstandsberatung, which will be specifically designed for the consultancy needs of small and medium-sized businesses.

A large proportion of the Deutsche Bank's customers fit this bill, and offering then a wider range of advice was one of its two reasons for buying into Roland Berger and Partner, said Mr Herrhausen.

The second was that the consultant's European operations neatly complement the bank's own expansion plans in Europe. Roland Berger already has offices in Italy, where Deutsche Bank last year bought Banca d'Italia e d'America, a large retail banking operation, from Bank of America.

Renault faces change in status after solid recovery

BY PAUL BETTS IN PARIS

RENAULT'S RETURN to profit this year is encouraging the French Government to accelerate the restructuring of the state car group's balance sheet, still burdened by about FFr 54bn ($8.64bn) of debts.

Mr Alain Madelin, the Industry Minister and one of the most ardent advocates of open market policies in the current conservative administration, indicated yesterday that "the time had now come to take advantage of the improvement in Renault's situation" to change the group's legal status and turn it into an ordinary company.

At present Renault has the status of a *Regie* or a government-controlled agency similar, for example, to the Paris urban transit system, Regie Autonome des Transports Parisiens (RATP). This means that Renault has benefited from what is tantamount to a sovereign state guarantee over its huge indebtedness and accumulated losses, which would have forced it to file for bankruptcy a long time ago if it had the legal status of an ordinary enterprise.

Mr Madelin said in a television interview yesterday that it was now necessary to remove this "comprehensive insurance coverage" from Renault. He was echoing the view expressed in recent months by the conservative government and Mr Jacques Chirac, the Prime Minister.

The Government is studying a major capital restructuring of the car group and proposals to table a special Bill in the autumn parliamentary session to change its legal status.

Mr Madelin also said that the figures for an eventual capital reconstruction of Renault had not yet been discussed. He also ruled out at this stage the privatisation of the group.

Renault currently needs between FFr 8bn and FFr 14bn to restore its net worth, although it is now expected to report net profits of at least FFr 1bn this year, after a string of heavy losses. Between 1981 and 1985, Renault accumulated losses of about FFr 27bn.

The capital reconstruction is by far the biggest outstanding problem facing the group, which has already this year shed its costly US interests in American Motors to Chrysler and reconstructed the capital of its truck subsidiary, Renault Vehicules Industriels (RVI), with the help of French banks.

As for the group's return to the black, this reflects the sweeping restructuring of the enterprise launched by its late chairman, Mr Georges Besse, who was killed by left-wing terrorists last November. The restructuring involved recenter-the group around its core European car manufacturing operations, major cost cutting, substantial jub cuts and the sale of non-strategic assets.

SKF 15% ahead at six months

BY SARA WEBB IN STOCKHOLM

SKF of Sweden, the leading manufacturer of roller bearings, increased its profits (after financial items) in the first six months by 15.5 per cent to SKr 821m ($126m), compared with SKr 711m a year ago.

Group sales totalled SKr 9.9bn, a rise of 9 per cent on the previous year's SKr 9.08bn.

SKF expects full-year profits after financial items to reach the 1986 level of SKr 1.45bn, though it has now turned more pessimistic over group sales, which are expected to be "somewhat lower" than last year's figure of SKr 19.97bn because of sluggish growth in the world economy.

The figures from last year, however, have been adjusted to exclude the steel operations, which are no longer a part of SKF's consolidated accounts since they were merged last year in a joint venture with Ovako of Finland.

Including steel operations, sales in the first six months of 1986 totalled SKr 10.38bn, and profits after financial items were SKr 730m.

SKF said that demand for its products had been weak during the first six months.

Roller bearing sales increased by 8 per cent to SKr 8.43bn, while profits after financial items rose by 9.3 per cent to SKr 587m. SKF said that business in the US market — which accounts for about 20 per cent of bearings sales — continued to improve.

However, demand in West Germany and the Nordic countries was weak, and increased sales volumes to the automotive industry in West Germany did not compensate for slow development in other industrial sectors.

Results from Spain, France, Latin America and Asia showed good progress.

SKF's component systems division showed a 6 per cent increase in sales to SKr 1.17bn and profits edged up to SKr 88m, with results affected by the sluggish state of the West German market.

Danish banks boost first-half earnings

BY HILARY BARNES IN COPENHAGEN

DANSKE BANK and Privatbanken, which rank as the first and third largest of the Danish commercial banks, yesterday reported gains in first-half earnings.

Danske Bank anounced a DKr 202m ($28.3m) one-for eight rights issue, which will raise DKr 505m. This will take its share capital to DKr 1.82bn.

The parent bank increased earnings by 18.6 per cent from DKr 591m to DKr 701m. Earnings before depreciation, provisions, taxes and adjustment for the value of the securities portfolio increased from DKr 165m to DKr 771m.

This reflects the fact that there was a DKr 456m unrealised loss in the first half of 1986 on the bond and share portfolio. This year there was a DKr 70m gain.

The Privatbanken group increased operating earnings by 6 per cent from DKr 433m to DKr 459m, and earnings before depreciation, provisions and the portfolio adjustment from DKr 199m to DKr 392m. There was a portfolio gain of DKr 37m compared with a loss last year of DKr 253m.

Eurosterling issues fall sharply as rates rise

By Our Euromarkets Staff

EUROSTERLING bond prices suffered sharp falls yesterday following the surprise announcement of a rise in British interest rates.

Prices of seasoned issues fell by more than 2 percentage points in places in reaction to the Bank of England's statement that it was raising its money market dealing rates, and subsequent word that base lending rates would rise from 9 per cent to 10 per cent.

But prices fell to a lesser extent than in the gilt market as bonds attracted some retail interest at the lower levels, and the earlier falls were described as professional markdowns.

Elsewhere, Eurodollar bond dealers had a quiet day as the market awaited news on a lifting of the Federal debt limit, and prices ended unchanged to about ½ point firmer.

A rumour, subsequently discredited, that the World Bank's debt would be downgraded from its current triple-A status caused a flurry in the market during the morning. But this had little effect on prices of outstanding World Bank issues.

Bankers Trust International launched the one new issue of the day: a C$70m seven-

INTERNATIONAL BONDS

year 10½ per cent bond for Exportfinans of Norway, priced at 101½. Dealers said the bond's relatively high coupon should attract Continental retail demand and the bond traded at less 1⅞ bid, the level of its total fees.

In Switzerland, prices were mainly unchanged, although dealers said some selling of bonds with longer maturities emerged. These ended the day about ½ point lower.

Union Bank of Switzerland announced a SFr 100m nine-year 2 per cent par-priced bond for Olivetti International Luxembourg, carrying warrants to buy gold—the second such issue that has emerged this week.

Credit Suisse did not join the management group for the bond, but would not comment on the reason.

The effective premium on the warrants was said to be around 30 per cent. Each SFr 5,000 bond carries one two-year warrant giving a right to buy 4.6 troy ounces of gold at $465 per ounce. The bond traded at around less 2.

Unlike in the overloaded Eurodollar sector, in the Swiss bond market lead managers were still cutting the coupons on bonds carrying warrants to buy Japanese equities yesterday.

Credit Suisse cut the coupons on a SFr 400m two-tranche convertible issue for Mitsubishi Bank, setting that on the seven-year public tranche at ½ per cent, against a ¾ per cent indication, while that on the five-year private placement was cut from ½ to ¼ per cent.

Meanwhile, Banca del Gottardo cut the coupon on its SFr 70m convertible for Hanwa, the Japanese trading company, from ¾ to ½ per cent.

Prices of D-Mark domestic and Eurobonds ended mainly unchanged after some sharp fluctuations during the day.

Salomon to lead Spanish offering

By Our Euromarkets Correspondent

SALOMON BROTHERS, the US investment bank, said yesterday it had been appointed to lead manage the international part of a share offering for Autopistas del Mare Nostrum, the Spanish roads concern.

The international part of the offering is expected to be valued at between $100m and $150m, and will represent 15 per cent of the outstanding shares in the company. It is planned for next month.

The company has four main shareholders, which have decided to sell up to 30 per cent of the company, of which half has already been offered in Spain. Future equity offerings may be contemplated, but the existing shareholders will retain control.

Top ratings for NatWest

By Our Euromarkets Correspondent

MOODY'S Investors Service, the US debt rating agency, yesterday confirmed its top-flight ratings for National Westminster Bank following the bank's $820m cash bid for First Jersey National Corporation, the fourth largest bank in New Jersey.

It said it viewed NatWest's attempt to set up a super-regional bank in the US positively, "despite the near-term negative impact on the group's capital ratios." The NatWest group has some $3.7m of rated debt which would be thus confirmed.

Banks reject Schroder's perpetuals tender offer

BY CLARE PEARSON

J. HENRY SCHRODER Wagg's offer to buy up to $1bn worth of perpetual floating rate notes in exchange for fixed term securities, announced two weeks ago, closed yesterday morning without any tenders having been received.

Schroder said they received requests to keep the offer open, but had decided to close it as planned, having already extended it once.

The exchange offer had been viewed by some as the most comprehensive solution yet to the problems of investors—particularly banks—in perpetuals, whose prices collapsed last December, because it tackled the capital ratio problems of bank holders of FRNs.

But FRN specialists suggested yesterday that the main preoccupation of holders of perpetuals at the moment was to defer their losses, while taking up Schroders' offer would have involved acknowledging a loss.

Japanese banks, which are the main holders of perpetuals, were allowed not to mark their investments to the then current market prices at their last year-end.

The most compelling reason for them to take up the offer would have been a firm indication that the Ministry of Finance intended to imitate the approach of the Bank of England and the US Federal Reserve Board to banks' holdings of other banks' paper.

The Bank of England requires capital worth 100 per cent of the investment to back a bank's holding of another bank's primary capital, but had said that the new securities created by Schroder's offer would not be treated as issued by another bank.

The Japanese Ministry of Finance is in talks with the US and the UK over convergence of bank capital rules. But at the moment it does not ask banks to make special capital reserves for other banks' capital notes.

Investors may have been concerned about the cost of the offer as the size of the cash payments they were asked to make in addition to selling their bonds had been criticised. But last week Schroder had reduced the prices, which were listed each day for each of the 37 eligible issues.

In exchange for their perpetuals, investors would have received 28-year securities guaranteed by Financial Security Assurance, a US insurance company, and non-voting shares in the issuing vehicle, Security Investment Holdings.

ICCH plans internal reshape

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE INTERNATIONAL Commodities Clearing House, the hub of the London futures and options markets and a number of overseas exchanges, yesterday announced an internal reorganisation but said that six clearing banks would continue as its owners.

The announcement followed a major internal review instituted last year after criticism that the ICCH was unresponsive to the needs of market participants and that its services were too expensive.

Mr John Barkshire, non-executive chairman of ICCH, said that the reorganisation proposals, which separate ICCH businesses into distinct operating subsidiaries, had satisfied both shareholders and exchanges which use its systems.

The London International Financial Futures Exchange said yesterday it would have the controlling interest in a new joint venture with ICCH to develop a new system to meet its clearing needs. The aim was to develop a system which could be used by other London markets, it said.

Mr Ian McGaw, ICCH managing director, said yesterday that the clearing fee for a "round-turn" transaction on Liffe had fallen to 10p now from 70p when the exchange was launched in 1982. This was partly because of the sharply-increased volume on exchange.

ICCH reorganisation, expected to be effective on November 1, calls for the separation of the clearing house for the London, Australian and New Zealand exchanges from the other businesses.

Representatives of the exchanges would be appointed to its board, along with the shareholder banks.

The big four clearers each have a 20 per cent stake in ICCH and Standard Chartered and the Royal Bank of Scotland each hold 10 per cent.

No new capital will be injected into ICCH, which expects to fund itself from revenues.

However, a £100m guarantee will be put in place, the first time a formal guarantee will have existed in the London markets. Negotiations are now under way to use the insurance market to provide part of this guarantee.

Swedish OM lifts profits 33%

BY OUR STOCKHOLM STAFF

STOCKHOLM'S Options Market reported a 33 per cent increase in profit (after financial items) to SKr 99.3m ($15.3m) for the first six months, compared with SKr 74.7m in the corresponding period last year.

OM shares are listed on the Stockholm stock exchange on official lists and the market is owned by the main banks and brokerages which are active in options trading, as well as the Swedish insurance companies, Skandia and Trygg-Hansa, and about 3,500 private shareholders.

Operating income rose by 58 per cent to SKr 146.1m, which OM said is mainly due to the introduction of its index options OMX last December. Use of the options market has grown rapidly since OM's introduction

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on August 6

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
All Nippon Air 9⅝ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7½ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Telecom 7½ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCCE 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNCA 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 8⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais 9 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 7½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 9⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 7½ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 8⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 8⅛ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 7⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 7½ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 10⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Elec. Cred. 10⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoesch 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoesch 7⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoesch 8⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liberty Mutual 8⅛ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB of Japan 8 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB of Japan 8 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mercds.-Benz Cred. 7½ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mercds.-Benz Cred. 8⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Fin. 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mutual America 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway Kingdom 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pepsico Inc. 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Qantas Airways 10⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Queensland Govt. 10⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ralston Purina 11⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saab Scania 9⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saskatchewan 10⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
State Bk. S. Aust. 9⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Statoil 10 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Exp. Cred. 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Exp. Cred. 10 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 8⅛ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Credit National 4⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 4⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France 5⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kansai Electric 4⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kingdom Belgium 4⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 4⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SNCF 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden, Kingdom 5⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change on day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14⅛ 90 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen Bank 15 90 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Creditanstalt 14⅛ 90 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DG Finance 14⅛ 92 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutsche Bk. 14⅛ 92 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutsche Bk. 14⅛ 92 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Helsinki Fin. 13⅛ 96 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Natnl. Australia 14 92 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10⅛ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chrysler Corpn. 10 91 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Elec. Fin. 11⅛ 95 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 9⅞ 92 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Trustco 10⅛ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears Acc. 10⅛ 92 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coca-Cola F. C. 17 90 NZ$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 7⅞ 92 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7⅞ 91 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euratom 7⅞ 97 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 7⅞ 93 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR 7⅞ 95 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 6 91 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mort. Bk. Denmark 6 91 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thyssen 7⅛ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wessanen 6⅞ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
American Brand 9⅞ 94 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amer. Express OC 10 94 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutsche Bank 9⅞ 97 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 9 92 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Halifax Bld. Soc. 10⅛ 97 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imp. Chem. Inds. 10 03 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Imp. Chem. Inds. 10⅛ 92 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Invst. in Inds. Int. 10 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Securities 9⅞ 07 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Leeds Bldg. Soc. 10⅛ 91 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nationwide BS 10⅛ 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NSW Treasury 10⅛ 92 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Insce. 10⅛ 92 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Koor looks for a partner to take stake in Tadiran

BY JUDITH MALTZ IN TEL AVIV

KOOR, the Israeli industrial group, is looking for an international company to purchase part of its shares in Tadiran, its largest subsidiary.

Tadiran, a leading manufacturer of both military and civilian electronics, was hard hit last year by cuts in orders from the Israeli Defence Ministry, a major customer, and by fiercer competition in its main overseas markets. In 1986 the company saw its profits plummet by 90 per cent to less than US$3m.

Kooor, itself a subsidiary of Hevrat Ha'ovdim, the Labour Federation-owned holding company, says it is seeking a partnership with a major international company with vast experience in the development and marketing of electronics products. This, it believes, will help Tadiran "maintain its state of growth and level of international activity."

GTE of the US at one time owned half of Tadiran while Koor held the remainder. Over the past several years, GTE sold most of its shares back to Koor, and now holds only a 10 per cent interest.

GTE has reportedly come under pressure from supporters of the Arab boycott to sell off its Israeli holdings.

A Koor official yesterday refused to confirm whether it was involved in negotiating the sale of this holding, but added that if an "appropriate" partner were found, Koor would not rule out giving up its majority interest in Tadiran.

In spite of the recent marketing problems afflicting the subsidiary, Koor is optimistic that Tadiran will pass the $700m sales mark this year, after reaching $620m in 1986.

FAI sells holding in Pioneer Concrete

By Our Financial Staff

FAI INSURANCES, Mr Larry Adler's Australian insurance and investment company, yesterday sold its 17 per cent stake in Pioneer Concrete Services, the New South Wales building products group which he has been pursuing since last May.

Pioneer is not yet entirely secure from threat, however. The new ownership of the 109m-share parcel remained unclear, while Mr Adler said of his legal dispute with Pioneer, over an allegedly protective share placing: "It is FAI's intention to continue the proceedings."

FAI said it would raise A$526m (US$366m) from the sale of its stake in Pioneer as well as in Ampol Petroleum, a Pioneer subsidiary in which it held about 7 per cent. The disposals would yield FAI a profit of A$194m,

Its now abandoned bid for Pioneer, worth some A$673m, was a proportional offer aimed at securing 60 per cent of each shareholding, at A$2.75 a share. The bid was frustrated by the placement of 10 per cent of Pioneer's capital with institutional investors.

Pre-tax profit jumps 90% at Yamanouchi

By Yoko Shibata in Tokyo

YAMANOUCHI Pharmaceutical of Japan yesterday reported a 90 per cent jump in pre-tax profits to Y20.98bn ($139.2m) in the first half to June, on sales 19 per cent up at Y78.76bn.

Net profits doubled to Y8.03bn.

For the second half, strong sales growth is expected to be maintained. Full-year turnover is projected at Y160bn, up 14 per cent. Projection of full-year pre-tax profits is revised upward from Y33bn to Y40bn.

An increase in annual dividend is forecast, from Y7.50 to Y8.25 a share, including an interim of Y3.75.

First Boston to advise on Israeli privatisation plans

BY OUR TEL AVIV CORRESPONDENT

THE ISRAELI Treasury has chosen First Boston, the New York investment bank, as its chief consultant on the Government's privatisation programme.

Shearson Lehman will assist First Boston in valuing some 30 state-owned companies and preparing them and their subsidiaries for sale to the public, either directly to private investors or through the local and foreign stock exchanges.

N. M. Rothschild, the British merchant bank—the third contender shortlisted by the Treasury several months ago—was originally regarded as having an edge in the competition because of its already close ties with Israel. However, Rothschild's bid was apparently higher than the others since the Treasury said the decision had been made on "purely economic grounds."

Efforts in recent years to sell off some of Israel's over 200 state-owned companies to investors have thus far met little success, mostly because of strong bureaucratic opposition to privatisation.

First Boston's responsibilities will include advising on the suitability of each company for privatisation and on the best method and timing for sale.

The Treasury said yesterday it had decided to choose two banks for this task in order to speed up the process. It also stressed that all proceeds from the sale would be used to reduce Israel's huge internal and external debt burden.

Recovery at Sumitomo Chemical

SUMITOMO CHEMICAL, one of Japan's largest petrochemical producers, showed a 24 per cent recovery in pre-tax profits to Y12.22bn ($81.1m) for the first half to June, writes Yoko Shibata.

The company returned to net profits of Y6.57bn from the previous net loss of Y7.7bn.

Sales declined 9 per cent to Y256.1bn due to the pressure of the strong yen and softer market prices.

For the full year to December, Sumitomo Chemical projects doubled pre-tax profits of Y24bn, on turnover of Y500bn, down 2.9 per cent.

NOTICE TO HOLDERS OF

New Zealand
15,000,000,000 Japanese Yen 8⁷/₈% Japanese Yen Bonds of 1981, due 15 December 1987
15,000,000,000 Japanese Yen 7³/₈% Japanese Yen Bonds of 1983, due 15 September 1989
15,000,000,000 Japanese Yen 7¹/₈% Japanese Yen Bonds of 1984, due 20 November 1990

The Goodyear Tire & Rubber Company
¥12,500,000,000 6⁷/₈% Yen Bonds Due 1994

Toyota Motor Credit Corporation
¥23,000,000,000 4¹/₂% Yen Notes Due 1992

NOTICE IS HEREBY GIVEN that Bank of Tokyo (Deutschland) AG, acting as Paying Agent for the above mentioned bonds or notes, has moved its office. The new address is:

Wiesenhüttenstr. 10
6000 Frankfurt am Main 1

Dated August 7, 1987

The Bank of Tokyo, Ltd.
as Fiscal Agent

U.S. $250,000,000

CL

Crédit Lyonnais

Subordinated Floating Rate Notes Due August 1997

Interest Rate	7⁵/₁₆% per annum
Interest Period	7th August 1987 9th November 1987
Interest Amount per U.S. $10,000 Note due 9th November 1987	U.S. $190.94

Credit Suisse First Boston Limited
Reference Agent

BankAmerica Corporation
(Incorporated in the State of Delaware)

U.S. $400,000,000
Floating Rate Subordinated Capital Notes Due 1997

Holders of Notes of the above issue are hereby notified that for the final Interest Sub-period from 10th August, 1987 to 8th September, 1987 the following will apply:

1. Interest Payment Date:	8th September, 1987
2. Rate of Interest for Sub-period:	7¹/₄% per annum
3. Interest Amount payable for Sub-period:	US$286.98 per US$50,000 nominal
Total Interest Amount payable:	US$917.97 per US$50,000 nominal

The following Interest Sub-period will be from 8th September, 1987 to 8th October, 1987.

Agent Bank
Bank of America International Limited

MANUFACTURERS HANOVER AUSTRALIA LIMITED

A$125,000,000
Guaranteed Floating Rate Notes due 1992

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 29th July 1987 to 29th October 1987 has been fixed at 12.1542% per annum. The Coupon amount will be A$ 3,063.52 for the A$ 100,000 denomination and will be payable on 29th October 1987 against surrender of Coupon No. 1.

Manufacturers Hanover Limited
Agent Bank

Halifax Building Society
Floating Rate Loan Notes 1994

For the three month period from 6 August, 1987 to 6 November, 1987 the Notes will bear interest at the rate of 9.4125 per cent. per annum. The Coupon amounts will be £118.62 per £5,000 Note and £1,186.23 per £50,000 Note, payable on 6 November, 1987.

Morgan Grenfell & Co. Limited
Agent Bank

Brasilvest S.A.
Net asset value as of 30th July, 1987
per CZ Share: 55,156.12
per Depositary Share: US$11,082.27
per Depositary Share: (Second Series) US$10,406.93
per Depositary Share: (Third Series) US$8,856.42
per Depositary Share: (Fourth Series) US$8,273.78

TEOLLISUUDEN VOIMA OY
(TVO Power Company)
US$100,000,000
Floating Rate Notes due 2004

Notice is hereby given that the Rate of Interest for the second Interest Sub-period of the Interest Period ending on 9th October, 1987 has been fixed at 7¹/₁₆% per annum. The amount payable for the second Interest Sub-period will be US$61.89 and will be payable together with the amounts for the first and third Interest Sub-periods of the said Interest Period on 9th October, 1987 against surrender of Coupon No. 14.

Manufacturers Hanover Limited
Agent Bank

All these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE (Asian Tranche) — 28th July, 1987

CI

C. ITOH & CO., LTD.
(Itohchu Shoji Kabushiki Kaisha)

U.S.$500,000,000

2¼ PER CENT. NOTES DUE 1992 WITH WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF C. ITOH & CO., LTD.

ISSUE PRICE 100 PER CENT.

Nippon Kangyo Kakumaru (Europe) Limited

Bank of Tokyo Capital Markets Limited — Morgan Grenfell (Asia) Limited
ANZ Securities Asia Limited — Citicorp Investment Bank Limited
Daewoo Securities, Ltd. — Daiwa Singapore Limited
Dresdner Bank Aktiengesellschaft — Jardine Fleming (Securities) Limited
IBJ Asia Limited — The Nikko Securities Co., (Asia) Limited
Société Générale — Standard Chartered Asia Limited
The Sumitomo Trust Finance (H.K.) Limited — Union Bank of Switzerland (Securities) Limited

Berliner Handels- und Frankfurter Bank — Chuo Trust Asia Limited — Cosmo Securities (Europe) Limited
Dai-Ichi Europe Limited — Fuji International Finance (HK) Limited — KOKUSAI Securities (Hong Kong) Limited
Kosei Securities Co. (Asia) Ltd. — Kyowa Bank Nederland N.V. — Marusan Europe Limited
Meiko Europe Limited — Mitsubishi Finance International Limited — Mitsubishi Trust International Limited
Mitsui Trust International Limited — National Securities of Japan (Europe) Limited — New Japan Securities Europe Limited
Nippon Credit International (H.K.) Limited — Saitama International (Hong Kong) Limited — Sanwa International Finance Limited
Sanyo Securities (Asia) Ltd. — Taiyo Kobe Finance Hong Kong Limited — Tokyo Securities Co. (Europe) Limited
Toyo Securities Europe Ltd. — Toyo Trust Asia Limited — Universal (U.K.) Limited
Vickers da Costa International Ltd. — Wako International (Europe) Limited — Yamatane Securities (Europe) Limited

All these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE (European Tranche) — *July, 1987*

CI

C. ITOH & CO., LTD.
(Itohchu Shoji Kabushiki Kaisha)

U.S.$500,000,000

2¼ PER CENT. NOTES DUE 1992 WITH WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF C. ITOH & CO., LTD.

ISSUE PRICE 100 PER CENT.

The Nikko Securities Co., (Europe) Ltd.

DKB International Limited — Robert Fleming & Co. Limited

Morgan Stanley International

Banque Indosuez — Banque Paribas Capital Markets Limited
Barclays de Zoete Wedd Limited — Daiwa Europe Limited
Deutsche Bank Capital Markets Limited — Kleinwort Benson Limited
LTCB International Limited — Manufacturers Hanover Limited
Merrill Lynch Capital Markets — Nippon Kangyo Kakumaru (Europe) Limited
Salomon Brothers International Limited — Shearson Lehman Brothers International
Smith Barney, Harris Upham & Co. Incorporated — Sumitomo Finance International

Swiss Bank Corporation International Limited

Chuo Trust International Limited — Cosmo Securities (Europe) Limited — Fuji International Finance Limited
KOKUSAI Europe Limited — Kosei Securities Co. (Asia) Ltd. — Kyowa Bank Nederland N.V.
Marusan Europe Limited — Meiko Securities Co., Ltd. — Mitsubishi Finance International Limited
Mitsubishi Trust International Limited — Mitsui Trust International Limited — National Securities of Japan (Europe) Ltd.
New Japan Securities Europe Limited — Nippon Credit International Limited — Saitama Bank (Europe) S.A.
Sanwa International Limited — Sanyo International Limited — Taiyo Kobe International Limited
Tokyo Securities Co. (Europe) Limited — Toyo Securities Europe Ltd. — Toyo Trust International Limited
Universal (UK) Limited — Wako International (Europe) Limited — Yamatane Securities (Europe) Ltd.

UK COMPANY NEWS

Profits at slimmer TI rise 39%

BY STEVEN BUTLER

A SLIMMED-DOWN TI Group, more sharply focused on specialist engineering businesses, produced a 39 per cent jump in pre-tax profits to £25.1m in the first half of the year, on turnover that fell from £490.1m to £465.0m.

The company's shares bucked the sharp drop in the market yesterday and rose 4p to close at 380p.

Both the specialised engineering and automative businesses put in strong performances.

Sales in specialised engineering rose 17 per cent to £137.1m, while pre-tax profits climbed 45 per cent to £11m. This was led by Crane mechanical sales and Abar Ipsen industrial furnaces.

The automotive businesses were boosted by the acquisition of Armco, a producer of small diameter tubes. Profits increased 44 per cent to £11.7m, on turnover that increased from £97.1m to £157.1m.

TI sold its once-expansive domestic appliance businesses during the period, raising £220m and giving rise to a net extraordinary profit of £144m. Turnover in the businesses until their disposal came to £98.5m (£132.5m), with £5.3m pre-tax profit, down from £6.4m.

TI completed the sale of Raleigh which made no contribution to the results, compared to turnover of £68.1m in the previous period and a loss of £1.9m.

Performance of the specialised tube businesses was more disappointing, with sales £2.4m lower, and profits down 18 per cent to £4.1m. This was caused by market weakness in carbon seamless and stainless tubes.

Earnings per share climbed 42 per cent to 15.9p. An interim dividend of 4.2p was declared, up from 3.6p, while £151.7m was transferred to reserves.

TI is now in a strong position to pursue further acquisitions and investments, with a net cash balance of £90m at the end of June.

Mr Christopher Lewinton, chief executive, stressed that the group was still in a transition period marked by the trimming of non-core engineering businesses and restructuring the group management.

The group headquarters in Birmingham, with a staff of 120, was closed replaced by a new headquarters in London staffed by 50. Mr Lewinton said this would lead to considerable savings in the next financial year. The move was accompanied by a decentralisation of group functions.

Mr Lewinton said that TI aimed to achieve an overall 10 per cent return on sales, and 20 per cent return on assets, with a continued growth of earnings per share. The return on sales has risen to 7.3 per cent in the engineering companies, up from 7 per cent for last year, or 5.6 per cent for the entire group in 1986.

He added that the group would be developing engineering businesses in areas in which it could ge a world leader, where technology was sufficiently advanced to make entry by competitors difficult, and where product differentation would prevent interchangeable use of competitors' products by consumers.

See Lex

BET raises ADR issue to 23.2m shares

BET, the international services group, announced yesterday that its American Depositary Receipts issue on Canada and the US had been increased by 800,000 shares to 23.2m shares—2.6 per cent of its authorised share capital. The price is set at 284p and the offer will bring in £65.9m gross.

In addition, the final prospectus out yesterday revealed that the underwriters will have the option to purchase a further 3.48m shares to cover over-allotment, so the maximum issue will be 26.7m shares or 3 per cent of BET's authorised share capital.

Yesterday, BET shares in London eased 2½p to 282½p.

Huntingdon Intl.

Huntingdon International Holdings, biological safety testing, analytical chemistry services and engineering consultancy, lifted its pre-tax income from £3.59m to £5.66m in the first nine months of 1986-87.

Revenue for the period totalled £31.02m (£25.66m) and the gross profit £10.16m (£7.39m). Expenses amounted to £4.55m (£3.7m) and other net income to £54,000 (£101,000 expenses).

Tax charged was £1.54m (£1.12m) leaving earnings per 5p share to emerge at £0.512 (£0.307) or $0.826 ($0.495).

Malaga sells 21.8% holding in Bremner

BY PHILIP COGGAN

Malaga Investments, the company controlled by City and Westminster Financial, has sold its 21.8 per cent stake in Bremner, the shell company which recently acquired Carswell, the Glasgow stockbroker.

The sale marks the end of the long-running battle between Mr Andrew Greystoke, CWF's chairman and Mr Jim Rowland-Jones, the Bremner chairman. After early merger discussions, the pair fell out with Mr Greystoke proposing the removal of Mr Rowland-Jones and his fellow directors from the Bremner board and Mr Rowland-Jones attacking the record of Mr Greystoke and CWF.

Mr Rowland-Jones, a veteran corporate battler, proved adept at thwarting Mr Greystoke, twice disenfranchising the Malaga shares at extraordinary general meetings and calling for a DTI investigation into their ownership. However, the Bremner shares have risen sharply over the past year so Malaga, which sold at 100p, may well have made a hefty profit on its stake.

£14.4m offer for J Kent

John Kent, the USM-listed mens clothing retail chain, is to be taken private in a recommended £14.4m offer by Redevco, a newly-incorporated company owned 81 per cent by Hamells, which owns a chain of ladies fashion stores.

The offer amounts to 120p per John Kent share, compared to a closing price yesterday of 118p, up from 105p the previous day. Undertakings to accept the offer have been received from John Kent directors, amounting to 9.5 per cent of the share capital.

Redevco plans to inject what it describes as "substantial" funds to enable John Kent to proceed more rapidly with a refurbishment programme, and the current management will remain in place.

Redevco and Hammels are private companies and Mr Kevin Corcoran, Redevco chairman, said that the owners of the companies would seek a delisting for John Kent "as a matter of course." He said financing for the offer had been privately organised.

Hamells made a pre-tax profit in the year to the end of July 1986 of £1.23m, on turnover of £13.34m. It operates 48 stores, compared to John Kent's 40 stores.

John Kent showed pre-tax profits of £641,000 on a turnover of £8.93m in the half-year to January 24, 1987.

Curragh Tintawn in buy-out from Irish Ropes

THE MANAGEMENT team of Curragh Tintawn, a carpet manufacturer based in the Republic of Ireland, has reached agreement in principal with Irish Ropes, its parent company, to mount a management buy-out, the value of which is unspecified.

Curragh Tintawn manufacturestufted and woven carpets at Newbridge, in the Republic. The carpets are exported throughout Europe, the US and the Middle East chiefly under the Tintawn and Irish Collection brand names. It also runs marketing and distribution subsidiaries in the UK and the US.

In recent years Irish Ropes has concentrated on the development of its plastics interests. Mr Con Mulrennan, who will become an executive director of Curragh Tintawn once the buy-out is completed, said that carpet manufacturing is now incompatible with the core activities of the parent company and that the management team has concluded it would fare better as an independent concern.

In its last financial year Curragh Tintawn mustered turnover of £9m but operated at a loss. Mr Mulrennan said that the loss was due to the high central charges imposed by Irish Ropes.

The management buy-out will be backed by Citicorp Venture Capital.

Goal makes £30m buy and £33m cash call

By Lucy Kellaway

GOAL PETROLEUM, independent oil company, is making a £30m acquisition which would double the company's oil production and give it greater financial strength.

The target, Transworld Petroleum, the UK subsidiary of Maxus Energy (formerly Diamond Shamrock), has a 12.7 per cent interest in the Buchan field and 0.8 per cent of Claymore as well as a series of North Sea exploration blocks.

The deal will be financed by a £33m rights issue to cover the purchase price and the £3m costs ofthe deal.

Goal said the additional production would increase its cash flow until the Wytch Farm oilfield reached peak output, while possible development options on some of the exploration acreage could help sustain the growth in the next decade.

Transworld will be acquired with no long-term debt, and cash balances of £2m, not including a £3m refund of Advance Petroleum tax. The deal would increase Goal's tax efficiency, the company said yesterday. It added that it would not increase group overheads, due to the overlap the assets of the two companies.

Goal will issue shares to Transworld, which will sell them to Hill Samuel, which will then offer them to existing Goal shareholders on a one-for-two basis at 90p a share. The two major shareholders in Goal, Norwich Union and Clyde Petroleum, have agreed to take their full allocations.

● comment

Goal's management should not feel too discouraged at the 9½p fall in the share price yesterday to 103½p. Given the heaviness of the rights issue and the weakness of the market the damage could have ben far worse. Indeed shareholders may soon be thankful that one of the company's main strategic problems seems to have been solved. Transworld will provide cash now when it is needed, and provides something on which to spend the money in a few years when Goal is awash with Wytch Farm production. While the price was not low, cheap oil deals are now extinct, and as a fellow partner in Buchan perhaps Goal knows something about that field that the rest of us do not. The one snag is the possible damage done to Clyde's avowed plan to take over the company. The bigger and stronger that Goal looks, the more trouble Clyde may have.

Unilever wins £66m battle for seed research body

BY BRIDGET BLOOM

Unilever, the Anglo-Dutch consumer conglomerate, is to buy Britain's permier seed research and development institution from the Government for £66m.

The controversial privatisation of the Cambridge-based Plant Breeding Institution and its associated National Seed Development Organisation was announced yesterday by the Department of Education and Science and the Ministry of Agriculture Food and Fisheries, the sponsoring ministry.

Unilever, with ICI and Booker, were short listed last month from among more than 40 compaines interested in buying the two organisations.

Yesterday, Mr Kenneth Baker, Secretary of State for Education and Science, said Unilever had made the best bid on "commercial, agricultural and scientific grounds."

Officials acknowledged that Unilever's big — which includes the PBI's 400-acre site on the edge of Cambridge — was higher than its rivals by a considerable, though unspecified, margin.

Mr Baker declared that the sale, which wil be completed on September 30, marked a significant success in the Government's privatisation strategy. However the decision to privatise the research institutions has been criticised by farmers' organisations and the seed trade, and it provoked the resignation of six senior staff at the PBI, as well as its directors, Professor Peter Day, who is to head a new biotechnology unit in the US.

That part ofthe PBI which is concerned with pure research is not for sale — its scientists will ultimately form part of a new government research unit in Norwich.

However, the company is buying the plant breding side of PBI and the whole of the NSDO, which develops and markets seeds bred at the PBI. It said yesterday that two bodies would be maintained "as one of they key world centres of excellence in the field."

Spokesman emphasised that the company had undertaken to the Government "to maintain and promote the potential of PBI plant breeding to the best advantage of UK agriculture and horticulture."

The company said it intended to expand and develop the PB/I NSDO operations, extending export markets for its products.

PBI which came under the umbrella of the Food and Agricultural Research Council, received some £4m in Government grant aid, while NSDO's turnover of some £11m last year provided an operating profit of £4.5m. In the recent past, PBI/NSDO have provided about 80 per cent of the wheat varieties grown in the UK.

Projects currently in hand, which Unilever has said will continue, include the creation of new varieties of wheat, barley, oats, potatoes and beans.

Brodian offer for Buckley's

BY NIKKI TAIT

Brodian, the nominee company which represents the personal interests of Mr Peter Clowes and Mr Guy Cramer, both directors of the publically-quoted James Ferguson Holdings, yesterday finally published its offer document for small Welsh brewer, Buckley's Brewery—a full 28 days after the £26.6m bid was launched.

The offer document is critical of Buckley's profit record arguing that underlying pre-tax profits at the brewery — after allowing for a pension holiday, asset sales and change in accounting policy for a former associated company—have been declining over the past two years.

However, the document brought an immediate and robust response from Buckley's. "Pretty awful" was the initial comment from Buckley's managing director Mr Colin Thomas —who went on to describe it as "lightweight" with "misleading criticisms" of the profits record.

In addition, Kleinwort Benson, which is advising Buckley's, said it was concerned about certain technical matters — in particular, that conditions (standard in themselves) had appeared in the offer document, which were not set out in the initial Press announcement of the bid.

Yesterday, in London, Mr Cramer explained that Brodian would be unlikely to take its stake in Buckley's beyond 75 per cent, that any acceptances over this level would be placed out, and the listing retained.

Broadian, which holds 29.9 per cent of Buckley's, said it had met Whitbread—which, together with Whitbread Investment Trust, has another 27 per cent—and hoped for a further meeting with director, Mr Lionel Ross, now the document was published. Mr Ross is back from holiday next week.

Mr Cramer added that the cost of Broadian's other stake in a quoted company—C. H. Bailey—had been around £8m. He hoped to meet Mr Christopher Bailey, head of the Welsh shipping and leisure group, in London next week, he said.

Buckley's shares closed at 172p, 3p below the value of the cash offer.

Ealing Optics profits decline

BY PHILIP COGGAN

Interim profits at Ealing Electro-Optics, a USM-quoted optical equipment manufacturer, dropped by around a third from £680,000 to £449,000 in the six months to June 30.

EEO is currently the subject of a bid from Sagemill, a private Guernsey-based company. Although the bid, at 154p, is well below the market price of 227p, the offer is largely technical in nature and Sagemill already has enough shareholder support to ensure control.

Since December, Sleipner UK, a financial services company, has owned 40.5 per cent of EEO, and it agreed in June to find a bidder for the company, at a level of at least 150p per share by September 30.

Under the deal announced last week, three businessmen, Mr David Hill, Mr Sandy Saunders and Mr Colin Gervase-Brazier bought a stake of 29.9 per cent from Sleipner and made an offer through Sagemill for the rest of the equity. However, sufficient investors have agreed to support the new management and not take up shares under the offer to ensure control for the trio.

Mr Hill, who will become chief executive, and his colleagues intend to retain the existing businesses and expand the group, both organically and by acquisition.

The uncertainty surrounding the Sleipner stake is blamed by the management for part of this year's problems and there is an extraordinary charge of £185,000 relating to accounting and legal advisory costs.

Combined Lease makes agreed £11m bid for TFB

BY PHILIP COGGAN

Combined Lease Finance, the fully listed leasing group, is making an agreed £11.2m offer for Technology for Business, the USM-quoted microcomputer manufacturer.

TFB, which is the leading supplier of computer systems to the legal profession, made pre-tax profits of £513,000 on turnover of £9.8m in 1986.

The company was originally the UK subsidiary of the French firm LogaBax but after a management buyout, it joined the USM valued at £3m in 1983.

Consideration will be in the form of two CLF ordinary shares for every three in TFB, valuing each share at 195.6p.

For every three cumulative convertible redeemable preference shares, CLF is offering two ordinary shares and 4.5p in cash.

Irrevocable undertakings to accept the offer have been received from directors and shareholders representing 53.1 per cent of the ordinary and 51.4 per cent of the preference shares. Full acceptance of the offer will result in the issue of 3.82m CLF shares, 16.8 per cent of the enlarged equity.

TFB will declare an interim dividend of 1.5p and CLF yesterday declared an interim of 0.56p.

Stake in Bulgin

A 5.47 per cent (109,50 share) stake in A. F. Bulgin, the electrical and electronic components company, has been acquired by Ogata.

Bulgin said it was unable to establish anything about the motives or identity of Ogata, except that it was a Lichtenstein company. Bulgin shares have nearly tripled in value since mid-June, closing yesterday at 85p.

Scholes shares slip

The share price of George H. Scholes, the electrical engineer, fell below the value of the cash alternative offered by Delta Group yesterday, increasing the chances of success for the hostile bid.

Shares in Scholes have fallen consistently since Delta announced it would not be raising its bid and last night closed at 549p, as against the cash alternative of 550p. However, they are still above the share offer which currently values the group at 522p

First Spanish

The offer for subscription in the First Spanish Investment Trust closed oversubscriped.

Brokers Alexanders Laing and Cruickshank were offering 34.9m shares, with warrants attached, at 100p each in the aptly-named trust, which will have a market capitalisation of £35m when dealings open.

UK COMPANY NEWS

All-round growth gives Cannon St £4m midway

ORGANIC AND acquisition growth has led to a leap in pre-tax profits from £675,000 to £4m at Cannon Street Investments for the first half of 1987.

The profit was almost £1m above that for the whole of 1986 and the profit for the group as constituted at June 30 was running at an annualised £11m, said Mr Bill Hislop, chairman. The outstanding result stemmed from development of existing businesses and by controlled acquisition. Confidence in the future, he said, remained undiminished.

CSI was probably involved in some 20 negotiations at present, many with companies producing £500,000 plus profits—but none were public. At the moment it had 22 subsidiaries, he said.

The goal remained eventually to float off businesses it had built up as part of separate groups, retaining majority holdings. But as many of the individual companies continued to produce bumper figures, the temptation was growing to spin those off individually.

Mr Hislop admitted that if progress continued that was a course the group could well follow within the next two years, rather than going for its original plan of group flotations within the next three to five years.

Results for the half year reflected seven acquisitions and some rationalisation through the sale of Richard Sankey and Agricultural Packaging and Containers. The new companies included Mitchells (food processor), Betacom (consumer electronics), Parry (house builder) and Olivers (double glazing).

The annualised £11m pre-tax profit would be made up by the food sector £3.5m, engineering £2.4m, construction £2.7m, electronics £1.5m and scientific instruments £1m, said Mr Hislop.

Over the past week the group has expanded further with the acquisitions of Systems 80 Double Glazing, T&L (Fine Food and Wine), and Hi-Tech Holdings. After the cash element attaching to those CBI would have some £11m cash in its kitty.

In the half year earnings moved up to 8.7p (4.17p) and to 7.27p (3.23p) fully diluted, the comparative figures having been adjusted for the bonus element in the February £16m rights issue. The interim dividend is doubled to 2p net.

Turnover rose to £31.39m (£9.06m) and operating profit to £3.97m (£740,00).

● **comment**

Cannon's Bill Hislop seems to have found a surefire way of winning the City's respect and these figures will do no harm to his reputation. Having emerged from what he calls the nightmare years, he has found a formula which on present evidence is markedly successful. Organic growth has been strong and the second half will carry contributions from the most recent acquisitions. Mr Hislop puts a strong emphasis on the right management and claims 30 Cannon employees will be millionaires by the end of the year; a good incentive to any entrepreneur. By nature conservative, he eschews merger accounting and keeps profits on company sales below the line—as he will flotation earnings when they occur. The balance sheet is strong and Cannon looked at 20 companies last month; the pace is clearly not about to slacken. The City is expecting around £10.75m, which with shares at 418p produces a prospective p/e of 19¼; that's highly rated but on performances and prospects, still attractive.

Abaco in £23.7m broking purchases

BY NICK BUNKER

Abaco, the rapidly-expanding financial services group, is to make its biggest acquisition to date by paying a total of £20.5m to buy the Cayzer Steel Bowater insurance broking group.

It has also agreed to buy Bryan Worrall, a South Wales insurance broker, for £3.2m.

The news yesterday came only 24 hours after Abaco said it was taking over Graham Miller Inc, the US loss-adjusting concern, in a deal worth £2.75m.

Cayzer Steel Bowater is 50 per cent owned by British and Commonwealth, which has a 26 per cent stake in Abaco. Since B & C is taking its half of the £20.5m in new Abaco shares, yesterday's announcement means that B & C is raising its stake in Abaco to 29 per cent.

Bowater, the building products group, holds the remaining 50 per cent of Cayzer Steel Bowater, but is taking its £10.25m in cash.

Mr Ian Short, Cayzer Steel Bowater's managing director, said there was "a definite intention" to seek acquisitions of more insurance brokers.

Cayzer Steel group's ten operating companies include a UK retail network of ten branches offering life and pensions products and commercial insurance. Abaco already owns several groups of estate agencies, and John Charcol, the mortgage broker, but until now has not had a life and pension broking arm.

Cayzer Steel also has London market marine, aviation and reinsurance broking activities, plus a 31 per cent stake in SIACI, France's eighth-biggest insurance broker.

Mr Short said there was room for co-operation in reinsurance between Cayzer Steel Bowater and Burgoyne Alford, the Lloyd's broker acquired by Abaco last October.

Cayzer Steel Bowater's pre-tax profits in 1986 were £1.02m, down heavily from £3.2m in 1985, because of what Abaco called "exceptional problems" in parts of its North American business which have now been discontinued.

Abaco is paying £2.5m on completion for Bryan Worrall, made up of £1.5m cash and £1m in shares, with a further £700,000 payable depending on Worrall's future results. The Cayzer Steel acquisition is subject to shareholders' approval at a meeting on August 24.

HODGSON HOLDINGS has agreed terms for the acquisition of R. Cirket and Sons, of Bedford, which will provide around 165 additional funerals a year to the Hodgson total, for a cash consideration of £145,000. At January 1, 1987 net assets of Cirket amounted to £83,000. Hodgson confirmed it was in further negotiations.

Dale Electric on target with £1.1m profits

Dale Electric International, Yorkshire-based generator set manufacturer which recently escaped an unwanted bid from Sunleigh Electronics, raised pre-tax profits to £1.1m against a forecast of £1.07m for the year to May 3. This compares with last year's loss of £960,000.

The board said yesterday that the group had taken record orders, a large part of which will be delivered in 1987-88.

The current year has started well with turnover and profits on target and the board expects this encouraging performance to be improved upon as the benefits of policy, management and systems changes come through.

These changes include production rationalisation at Dale Electric and Erskine, the sale of Dale Plant Hire and the closure of Faraday factory.

Turnover for the year was £40.89m (£37.95m), a rise of 8 per cent.

Trading profit, after net operating expenses of £7.66m (£7.83m) was £.25m (£437,424). The share of associates' profits fell to £82,980 (£284,257). In the previous year there were also exceptional provisions of £466,957.

After tax of £379,394 (£378,982) earnings per share were 5.39 compared with a 10.1p loss last year.

● **comment**

There was a distinctly revivalist tinge about Dale yesterday as the management proclaimed its vision of the future—tight control of costs, diversification away from generating sets and expanded orders. Naturally enough, the company was not falling over itself to credit the bid from Sunleigh with the motivation for its new approach but perhaps opponents of merger mania might take note of Dale's dramatic improvement. Whether Dale's independence would survive another hiccup, such as could conceivably occur overseas—it lost £600,000 in Thailand in 1985-86—is more open to question. It must be doubtful whether the institutions would be so loyal second time around. But that at least gives investors an each-way bet to support the current share price which at 103p and assuming pre-tax profits of £1.6m, reflects a prospective p/e of 13.5.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div	Total for year	Total last year
Cannon St Inv	int	2†	Oct 19	1	—	4
Conder Group	int	2	Oct 9	1.6	—	4
CSC Investment	int	4	Sept 18	3.6	—	9.35
Dale Electric		2	Oct 6	1.5	3.5	3
Dale Group		1.5	Oct 1	—	1.5	—
Dares Estates	int	0.1**	Oct 1	—	—	—
Ealing Electro-Opt‡	int	0.7	—	0.7	—	2.2
Hickson Intnl	int	6.5†	Oct 1	5.3	—	17.5
Law Debenture	int	3.25	—	2.75	—	7.50
Mid Wynd		1.7	—	1.4	2.9	2.4
SEET		3.7	Oct 5	3.7	5.3	5.3
TI Group	int	3.5	—	3‖	—	8‖
TR City of London		0.87	Aug 28	0.59*	2.32*	2.05*
TR Trustees Crp		1.25	Sept 28	1.2*	2.2	2.1*

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ Adjusted for sub-division of £1 shares to 50p shares. ** Plus special interim of 0.1p in lieu.

UK COMPANY NEWS

Hickson tops City hopes with £8.7m

Hickson International, the chemicals-to-timber concern, bettered City expectations when it turned in pre-tax profits up from £6.99m at £8.72m in the six months to June 30 1987. Turnover moved ahead from £77.19m to £99.77m. Experts had been looking for profits of £8.5m.

The directors declared an increased dividend of 6.5p (5.3p) and earnings per 50p ordinary share rose to 26p (21p).

They also announced that they were proposing to subdivide each ordinary share into two fully-paid ordinary shares of 25p each and making a scrip issue on the basis of two new ordinary shares for each 50p one held.

Analysis of profits and turnover by division shows: chemicals, £6.41m (£4.65m) on £45.99m (£40.57m); timber protection, £1.29m (£1.49m) on 23.44m (£21.6m); and merchant distributors, £1.51m (£695,000) on £30.34m (£15.03m).

Mr Melvyn Hopley, chairman, said that trading prospects for the rest of the year appeared to be soundly based.

Demand has remained strong both for organic and inorganic chemicals, with exports buoyant. Despite rising energy and oil costs, together with some related increases in raw materials, margins have been improved by better efficiencies and firm selling prices. The March acquisition of Pitt Metals in the US would strengthen the company's position in the American inorganic chemicals market.

Mr Hopley said that timber protection profits were continuing to mend slowly but steadily. The purchase for £16.9m of Sayerlack Industria Vernici Speciali, Italy's second largest supplier of interior wood lacquers and stains, would be an important extension of the group's interests and it was its intention to expand the business into other markets where the group has an established position.

The merchant distributors business had shown all-round improvement and recent acquisitions — Stair Tread Group, Karndean and the floor-covering distribution activities of the Faithfull Hadfield groups—were now being consolidated and already were contributing to profits.

Mr Hopley said that exchange rates were not unfavourable in spite of the relatively weak US dollar and the group had minimised the adverse effects of currency fluctuations by careful hedging arrangements. However, he warned that unless price increases in oil-based raw materials could be contained, some erosion of margins was possible.

Interest received amounted to £125,000 (£233,000) and payable to £601,000 (£74,000). Tax took £3.35m (£2.98m) and minorities £19,000 (£20,000).

• comment

Hickson has outgrown its previously dull image in the City by a change of strategy which helped to reverse its early-80s decline, and the results are showing. The group benefited from a chemicals sector buoyed by the oil price and weak sterling which made it more competitive against its traditional Swiss and German competitors. Exports have grown and now account for 50 per cent of the sales in this division. The doubled contribution from merchant distributors was largely due to acquisitions, while the downturn in timber protection conceals an improvement from last year's second half and the beginning of a slow recovery thanks to improved margins. Sayerlack, its latest acquisition, will contribute to the year-end figures. On the City's upwardly revised year-end forecast of £19m and a share price up 9p at 824p, a prospective p/e of 13½ is an attractive discount to the market, especially considering the company's continued expansion plans.

Dale Group on target: good start this year

PROFITS AND dividend from the Dale Group for the year ended May 31 1987 were right on target. The group came to the market in February and makes hydraulic equipment for the coal mining industry.

Turnover for the year rose from £6.45m to £7.5m and profit from £1.6m to £2.22m, a marginal increase on the forecast. The dividend is the promised 1.5p net.

The current year had begun well, the directors stated, and they looked to the future with confidence.

R & D continued to play a major role in design and innovation. The expansion of current export outlets, together with development of new markets, should contribute to progress. They were in negotiations for acquisitions within the engineering sector.

Despite changes in trading patterns, growth in sales was across the spectrum of group products, being particularly strong in conveyor equipment and the repair of equipment made by third parties.

The concentration on the development of a successful repair and maintenance facility was producing most encouraging results.

Sales by the US subsidiary continued to show considerable improvement within established markets and new products. Sales in Europe were encouraging despite the prevailing difficult market.

Earnings for the year came to 12p (3.1p) per share.

Suter/Amari

SUTER has lifted its holding in Amari to 4m ordinary shares—the equivalent of 15.15 per cent.

Dares over £1.5m at half-way

Dares Estates, the property investment and development company, is rapidly leaving the problems of the past behind it. Yesterday it announced a pre-tax profit of £1.57m for the six months ended June 30 1987 compared with £163,000 for the corresponding period of the previous year. Profits for the whole of 1986 were £747,000.

The revitalised group has had an active year to date. It announced the acquisition of five commercial properties for £12.9m in March, which doubled the gross value of its investment portfolio, and in June raised £35m through a rights issue and an issue of £15m debenture stock.

The directors said that the group had taken further material steps forward both in profit and asset base. Consequently, they were able to view prospects for the remainder of the year and the foreseeable future thereafter with great confidence.

The group has net assets in excess of £40m, virtually no borrowings other than the £15m debenture and a number of transactions in hand which will have a significant impact on future profitability and asset growth.

Turnover in the period rose from £2.39m to £19.12m and the trading profit from £163,000 to £1.56m and realised surpluses to £11,000 (nil).

Tax charged was £356,000 (nil), minorities were £56,000 (nil) and there was an extraordinary debit of £110,000 (nil) relating to closure costs of the Ringwood office and other costs regarding the sale of the residential division. Earnings per 5p share have increased from 0.19p to 0.7p.

Court approval of the capital reduction scheme has now been received. Accordingly, directors have now declared the special interim of 0.1p (in lieu of a final for 1986) and an interim dividend of 0.1p, the first payment since 1984.

Conder interim profits almost doubled at £1m

Interim pre-tax profits of Conder Group, manufacturer of steel framed buildings, nearly doubled in the six months ended June 30 with an increase from £576,000 to £1.01m. This was from a £200,000 fall to £55.31m in turnover.

Shareholders are rewarded with a 0.5p increase to 2p in the interim dividend from earnings boosted from 6.4p to 11.5p. Last year's total payment was 4p.

The directors said that steps were being taken to concentrate the group's resources on mainstream activities which showed good potential.

Tax took £61,000 (£50,000) leaving net attributable profits of £947,000 (£526,000).

SEET profits down by 23%

Pre-tax profits at Scottish, English and European Textiles fell by 23 per cent in the year to the end of April 1987. The figure for the second half of the year was almost unchanged at £555,000, against £568,000 but the company suffered a 39 per cent fall in the opening six months.

And the attributable figure came out much lower at £251,000, against £780,000, following an extraordinary debit of £283,000 (£72,000 credit), being the estimated cost of closing the Newton Stewart mill of Glen Cree mohair products.

On turnover down at £10.78m (£14.69m), a fall of 26 per cent, taxable profits were £959,000 (£1.24m). Earnings per 20p share came out at 13.32p (17.65p) pre-extraordinary items and the total dividend is being held at 5.3p with a proposed unchanged final of 3.7p.

Directors said that the Keneth Mackenzie and Peter MacArthur and Company subsidiaries had performed satisfactorily although they were affected by the strength of sterling against the dollar and the poor tourist season in the UK.

They added that the transfer from Newton Stewart to Hamilton should lead to improved marketing and sales of the new ranges of Glen Cree products.

Freehold land and buildings were revalued and the increase of £238,000 was taken to reserves. The balance sheet remained strong, directors said, with cash balances of £2.9m (£2m) and acquisitions were being investigated.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Davies and Metcalfe, Pacer Systems, Renown Inc, Technical Component Industries.

FUTURE DATES

Interims—
Aspen Communications ... Aug 11
Blackwood Hodge ... Sept 7
Clarke (T.) ... Aug 20
Gaskell Broadloom ... [illegible]
Kleinwort Benson Lonsdale ... [illegible]
Ladbroke ... [illegible]
Newage Transmissions ... [illegible]
Scottish Eastern Inv. Trust ... [illegible]

Finals—
Davies (D. Y.) ... [illegible]
McKay Securities ... [illegible]
Smith (W. H.) ... [illegible]
† Amended.

TR City of London assets rise to 101p

TR City of London Trust, investment trust, raised net asset per 25p deferred share from 72.4p to 101.2p over the year ended June 30 1987.

Income, after all charges and tax, worked through at £4.67m compared with a previous £4.24m. Earnings improved to 2.37p (2.14p) and a final dividend of 0.67p raises the total from an adjusted 2.05p to 2.32p net on the enlarged capital.

With revenue projections for the coming year described as favourable the directors yesterday forecast a 10.3 per cent increase in the total dividend to not less than 2.56p payable at a new quarterly rate of 0.64p.

CSC Investment expansion

CSC Investment Trust raised net asset value to 231.9p per share at the end of June 1987, against 173.7p a year earlier.

Net revenue for the first half of 1987 was marginally higher at £58,753 (£58,096) for earnings per 25p share of 3.57p (3.53p). The interim dividend is raised from 3.6p to 4p—last year's final was 5.75p.

After the cost of the dividend, there was a deficit on the revenue account of £7,019 (£1,099). The company said this was not exceptional and reflected the imbalance of the receipt of dividend income between the first and second six months in the accounting year.

The company anticipated that further progress would be made in the second half.

COMPANY NEWS IN BRIEF

FKB GROUP has acquired a further 5 per cent of share capital of both the Colour Press and Jervis Read. Consideration will be satisfied by issue of 38,893 and 31,115 ordinary respectively. Following the acquisition the USM-quoted FKB will own 90 per cent and 85 per cent respectively, and will be paying further consideration for the acquisition of FDS Promotions by issuing 13,332 ordinary. (FKB already owns 100 per cent of FDS.)

MILES 33, part of the UEI group, has acquired Pagitek. Both companies are suppliers of computer systems for the printing and publishing industries.

LEADING LEISURE has acquired controlling interest in Super X, a company making high technology simulation products, of Poole, Dorset.

REED INTERNATIONAL subsidiary Butterworth is acquiring John Wright, Bristol-based publisher of medical, dental and veterinary journals and books, from the Institute of Physics. Wright's 1986 sales came to £1.6m. No price was disclosed.

VOLEX GROUP: chairman told AGM the company had made an excellent start to the year with first three months' profit well ahead of same period of previous year. Good progress was continuing in the second quarter with both volumes and turnover ahead.

York Trust deal

York Trust Group has acquired the Park Place Finance group of companies and not the Park Place Group as our report stated yesterday. The seller was Wolters Samsom (UK).

BAT in Brazil

Souza Cruz, Brazilian offshoot of **BAT Industries**, made net profits of Cz 601.6m (£8.2m) in the first half of 1987. No comparisons were given, but the company said that compared to the same period last year, the results represented a nominal increase of 70 per cent.

Blue Arrow deal

Blue Arrow, the employment agency currently involved in a $1.2bn (£764m) bid for US group Manpower, has purchased Quora Management Services, an East Midlands recruitment agency for an initial consideration of £530,000.

Further payments will be dependent on future profits. QMS made pre-tax profits of £84,000 on turnover of £721,000 in the year ended April 30.

Law Debenture

Law Debenture Corporation increased its net asset value by 26 per cent from 304.9p to 383.3p for the six months ended June 30. Post tax profits rose by 12 per cent from £952,000 to £1.07m over the same period leaving earnings per share at 4.67p (4.17p).

An interim dividend of 3.25p (2.75p) was declared and it is expected that the final dividend will not be less than the 4.75p paid last year.

UK COMPANY NEWS

Terry Povey on the battle of wills for Molins

Testing time for Brierley

THE £293m bid by Tozer Kemsley & Millbourn, the car dealer, for Molins, the engineering group, has developed into a battle of wills, rather than merely of wallets, between two major investment empires.

On the one side stands Mr Ron Brierley, the New Zealand financier, whose Brierley Investment Limited (BIL) group holds a 56 per cent controlling stake in TKM and wants to use it as his main UK investment vehicle.

The Molins bid is a substantial step in this plan.

But on the other stands the M & G group, one of the country's leading institutional investors, which has a 15.9 per cent stake in Molins and—in an unusually bold move for a fund manager—has made plain that it wants the TKM bid to fail.

The battle is an important test for Mr Brierley, who is anxious to be regarded as a credible force in the UK market, where he has built up an investment portfolio now worth some £500m (£150m of that in TKM).

The strategy has been to acquire key stakes in grossly undervalued companies after extensive research, which is the cornerstone of the group's success. Its portfolio includes large stakes in Equity and Law, the life assurance group, Redfearn National Glass, and Ocean Transport & Trading, the shipping, industrial and distribution group.

Last November Mr Brierley failed with a £258m bid for Ocean Transport—and in that battle buying in the market by M. & G. played a role in blocking the offer. A second defeat, so soon after, would be embarrassing for Mr Brierley. The M. & G., while it speaks admiringly of Mr Brierley's investment-making talents, does not accept his group's own assessment of its record as an operator of businesses.

"There's nothing personal against Ron Brierley in this," comments an executive at the fund managers. "M. & G. agrees with him that Molins is a good company which is undervalued." But, he adds, "we believe it will be stronger if it remains an independent company."

This clash has created an unusual bid situation in that the main attention has been on protagonists other than the two companies directly involved.

Molins is a long-established precision engineering business mainly involved in the production of cigarette packing

Mr Ron Brierley, the New Zealand entrepreneur

Mr Christopher Ross, managing director of Molins

machines. For years it operated under the aegis of BAT, the tobacco giant, which held a protective 29.9 per cent stake.

In 1985 BAT decided that it should end the shareholding tie with Molins—provoking a crisis for the company. A then fairly new management team consulted merchant bank Schroders (which has controversially changed sides and acts for TKM in this bid) and a management buy-out scheme at 170p a share was put together with the backing of BAT. This proposal, which required the support of 75 per cent of shareholders, was narrowly blocked when IEP, one of the Brierley group's investment vehicles, backed ironically by M & G, campaigned against the plan.

In the wake of this defeat BAT, nevertheless, went ahead with the disposal of its Molins stake—many of the shares sold ended up with IEP (whose holding more than doubled to 24 per cent) and M & G (up to 14.7 per cent).

Mr Christopher Ross, Molins' managing director, argues today that the buy-out was motivated by a desire to protect the company's independence whilst it was in the process of developing a new range of super-fast cigarette packing machines and rationalising the UK manufacturing operations.

As a capital goods company Molins is used to long cycles—it takes three to four years to design, test and get into production a new range of machines. A major part of its business is its many overseas contracts—critical as cigarette consumption in the developed world is declining. In 1986 only 5 per cent of sales were in the UK and just over half of profits were made in overseas operations. As many of these overseas contracts are with state-owned tobacco companies, there is an important continuity and quasi-diplomatic angle to Molins.

However, Molins profit performance has been dull. After recovering from 1984's £6m pre-tax trough (earnings per share were 8.2p, sharply below 1983's 18.3p), there was a rise to first £8.1m in 1985 and then £9m in 1986. But most of the 1986 increase arose from an £850,000 pension holiday and a higher tax rate led to a marginal fall in earnings. The rate rose because of the inclusion of an increased Brazilian contribution (at £1.9m) accompanied by a sharp fall in double taxation relief.

For the future, Molins has developed out of its cigarette packing skills an important knowledge of high speed production processes. A join bank note printing venture with the Bank of England is one example of how this can be applied—and analysts believe that there will be many applications for such technology in the packaging, printing and labelling businesses.

However, as Molins' £10m profits forecast for 1987 shows, the future has yet to arrive: the continuing £850,000 pension relief plus an at least £1.1m first time contribution under patent settlements in the US accounts for most of the post 1985 growth.

TKM believes that "Molins can be developed more rapidly and more effectively by combining the acknowledged talents of the present Molins management with the resources and financial expertise of the BIL Group through Tozer, its UK subsidiary."

But in a somewhat contrary vein to this, TKM also attacks the recent record of Molin's management and questions its suitability given its 1985 desire to go private

The first shot in the current BIL/M & G battle was fired, probably inadvertently, by the Brierley camp in its original offer document for Molins. In a startlingly honest admission, TKM's directors stated that they had "no technical expertise to handle the day-to-day business of Molins, but in direct contrast believe, as the Brierley group's record throughout the world shows, that they do have particular expertise in the development of business."

Furthermore, Mr Brierley has not won over a group of UK institutions as shareholders for TKM, which could have been invaluable help in bid situations. He has, in effect, been relying on volatile investors from New Zealand, who rushed after him into TKM, which is now listed on the New Zealand stock exchange.

UK institutions, observing this disregard for their power, were not inclined to do battle with Kiwi enthusiasts for TKM stock. M&G, for one, is still not keen on investing in TKM as it does not like taking stakes in companies controlled by someone else, no matter how good an investment manager he is.

The bid terms—which TKM has said are final—are seven new TKM shares plus 280p for every four Molins shares, or 300p in cash. The teams moved awkwardly as the stock market has shifted downwards in recent weeks. The shares plus cash offer values each Molins share at 286.75p (with TKM now down to 133p compared with Molins 306p) and is therefore below the cash alternative. On a pro forma basis there would be a small increase in earnings per share of the combined group for existing TKM shareholders although Molins acceptors could see either a static position or a small dilution assuming that the target company's £10m pre-tax defence forecast is made.

Another beneficial element for the bidder will be the impact on gearing—pro forma the combined group's net debt would be just over half of shareholders funds compared with the current two-thirds.

The next closing date is Tuesday, though the bid could run to the end of the month. But as long as Molins' share price remains above 300p, the M&G appears likely to get its way.

APPOINTMENTS

Joining Bassett Foods board

BASSETT FOODS has appointed two board members. Mr M. A. Ward becomes group finance director and assumes overall responsibility for the group financial and planning functions which were temporarily undertaken by the vice-chairman Mr G. R. H. Clemens, who now reverts to his non-executive directorship. Mr W. S. Woof is appointed company secretary and a director of Bassett Foods. He succeeds Mr T. A. Longden, who will act in a consultative capacity to the board until his retirement in December this year.

★

ASHTON-TATE has appointed Mr Floyd Bradley as vice president, Europe. He comes from Lotus Development Corporation where he served as European marketing director and managing director of Lotus Development (UK).

★

ATCO has appointed Mr Martin Douglas as marketing and sales director. He will have overall responsibility for the co-ordination, planning and implementation of the sales and marketing activities of the company in both the home trade and export market.

★

The following board appointments within three HAWKER SIDDELEY subsidiary companies have been made. Mr Gordon Oldroyd is appointed managing director, small industrial division of Brook Crompton Parkinson Motors. Mr Terry Sharpe has been appointed production director of Lister-Petter, Dursley, Gloucestershire. Mr Barry Wells becomes sales and marketing director of the consumer products division of Crompton Vidor, based at Northampton.

★

QUALITY PARTS has appointed Mr P. S. Haslingden to the board as financial director. He remains company secretary.

★

FOCUS (FORUMS FOR OCCUPATIONAL COUNCELLING & UNEMPLOYMENT SERVICES) has appointed three executive directors: Mr Robert Cusworth, Mr Brian Thompson and Mr Brian Winterson.

★

Mr Alan Chambers has been appointed assistant managing director of NATIONAL WESTMINSTER INSURANCE SERVICES based in Bristol.

★

Two new associate directors of DAN-AIR SERVICES have been appointed. They are Capt. R. J. K. Spurrell and Capt. J. E. C. Mayes. Mr Spurrell remains chief pilot of Dan-Air Services, and Mr Mayes remains as operations manager.

★

DATA LOGIC, the UK-based Raytheon subsidiary, has appointed Dr John Penney to the board as director of its communications systems division. He joins from Mitsubishi Electric (UK) where he was managing director of the electronics division.

★

THORN EMI COMPUTER SOFTWARE (TECS) has appointed Mr Jon Morgan its UK sales director.

★

As part of policy of expanding its commercial development operations, HUNTING GATE has made two appointments at its London office. To complement the existing team, Mr Philip Clarke has joined the board of Hunting Gate Developments. He was previously a director of Samuel Properties and was the director responsible for the Bryant Samuel operation. Mr John Ball joins as a development surveyor, having formerly been with the British Rail Property Board.

★

The managing director of WILLMOTT DIXON'S new northern based maintenance company is to be Mr John Howe. Mr Howe's association with the company goes back ten years and he was its divisional director at the time of its takeover.

★

Dr R. Duttweiler has joined CREDIT SUISSE, London branch, as senior vice president and treasurer, also assuming responsibilities of deputy branch manager on November 1. Mr C. A. Griffith will also join Credit Suisse, London branch, as vice president, precious metals and commodities.

★

Mr Geoffrey Isaac joins UK money brokers MAYFLOWER GROUP from Citicorp as a director. At Mayflower Mr Isaac, previously a vice president of Citicorp Investment Bank, will be responsible for developing the group's non-banking business, specialising in swaps, floating rate agreements and other money market instruments for corporate clients, building societies and local authorities.

★

Professor John Arnold has been appointed director of research of THE INSTITUTE OF CHARTERED ACCOUNTANTS in England and Wales from September, following the resignation of Professor Bryan Carsberg, on his reappointment as director-general of OFTEL.

BOASE MASSIMI POLLITT appointed three directors to its main board. Mr James Best has been appointed director of corporate development. Mr Martin Puris and Mr Ed Vick join from the board of Ammirati and Puris, the New York agency now owned by BMP.

★

Mr J. Garbutt has been appointed a director of KLEINWORT GRIEVESON INVESTMENT MANAGEMENT responsible for institutional funds. Mr D. E. Goldie-Morrison has been appointed a director of KLEINWORT BENSON SECURITIES. He is also director in charge of Kleinwort Benson Cross Financing and a director of Kleinwort Benson Cross Financing Inc. in the US.

★

At THE NORTH BRITISH DISTILLERY Mr L. I. Fletcher, managing director, will be retiring on October 31 and Mr I. D. Mackenzie has been appointed to succeed him as managing director from November 1.

★

INTERNATIONAL CITY HOLDINGS has appointed three directors at Fulton Prebon (Foreign Exchange): Mr Jeremy Barnett, Mr Gary Bone and Mr Michael Keogh.

★

Mr K. G. Allison and Mr W. H. Fulton, both directors of Clayhithe, have joined the board of BETEC. Mr D. J. Sewell has also joined the board. Mr J. M. A. Paterson, Mr G. O. Luff, Mr J. Topping and Mr D. Whitehead have resigned and joined the board of BE Industries the holding company for the trading subsidiaries of Betec. Mr W. J. Dunbar will be chief executive of that company.

★

Mr Ivan Gray has been appointed chairman of GENCOR (UK) following the retirement of Mr Keith Wallis.

★

Mr Peter Crawford, chief underwriter and general manager of the Aviation and General Insurance Co has been appointed a director of the AIRCLAIMS GROUP following the retirementof Mr Re[illegible].

★

Mr Alan G. Pendleton has been appointed a non-executive board member of NORTH WEST WATER AUTHORITY. He is counsellor to the Small Firms Service, Manchester (a Department of Employment service).

★

MORGAN - GRAMPIAN has made three appointments to its board. Mr S. A. Arnold, managing director, Morgan-Grampian (Construction Press), Mr D. A. Baker, managing director, Morgan-Grampian Services and Mr B. V. Welch, financial director. Sir Gordon Linacre and Mr G. J. S. Wilson have relinquished their directorships of Morgan-Grampian.

★

At the annual meeting of the NATIONAL GROCERS' BENEVOLENT FUND Mr Alistair Grant, group chief executive of the [illegible] Group, was elected president.

COMMODITIES AND AGRICULTURE

Mexico and Jamaica in aluminium study

By Canute James in Kingston

JAMAICA AND Mexico are to study the feasibility of co-operating in bauxite mining and refining and aluminium smelting following a visit to the island by Mr Miguel de la Madrid, the Mexican President.

An official communique said the project would involve bauxite mining and refining, but Jamaican Government officials later explained that it would also involve shipping alumina (partly processed bauxite ore) from Jamaica to Mexico for smelting.

The planned study of the project would include ". . . the terms under which the private sectors in both countries could participate," the communique said.

It is the second time in a decade that both countries have considered a joint venture in bauxite mining, refining and aluminium production. An earlier plan which collapsed in the mid-1970s, was based on the construction in Jamaica of a 600,000 tonnes per year refinery, jointly owned by the governments of Jamaica, Mexico and Venezuela. It was proposed that Jamaican bauxite would be refined in the plant with aluminum produced in Mexican and Venezuelan smelters, in which Jamaica was to have a minority stake.

Official statements then said the plan was scrapped before the refinery was constructed because of Mexican concerns at the weakness of the international aluminium market. Five years ago the Jamaican Government announced a joint venture with Colombia under which alumina would be shipped from the island to Colombia.

China denies cadmium closure

A ZINC, lead and cadmium plant in Zhuzhou, Hunan province in south China, will not close for repairs, contrary to reports from traders in London, according to an official of the China National Nonferrous Metals Industry Corporation, reports Reuter from Peking.

Congress prepares to bail out Farm Credit System

BY NANCY DUNNE

THE AGRICULTURE Committee of the US House of Representatives yesterday approved a massive restructuring of the ailing Farm Credit System, thus setting the stage for what may become the biggest federal bail-out in history.

The squeeze is so great on the US budget, however, that the committee chose not to specify any sum for the rescue. The system's managers requested $6bn earlier this year, but the committee evaded the issue, calling only for the appropriation of "such sums as may be necessary" for fiscal years 1988 to 1992.

The Farm Credit System is the nation's largest agricultural lender with a portfolio of about $50bn. Once solidly in the black, it ran into difficulty with the rise of farm bankruptcies over the past five years.

Officials say there are signs of "a slight bottoming out" of losses. The FCS lost $2.7bn in 1985, $1.9bn in 1986 and is expected to do slightly better this year.

Still, Congress is being forced into action by the threat of failure this year by some of the land banks. Committee members were under a deadline to act so that the full House can take up the Bill in September.

Several Bills have also been introduced in the Senate, and final legislation is expected to pass this year.

The System, originally capitalised by the US government, is owned by its borrowers, who must buy stock when they take out loans. It consists of 12 districts across the country containing seven large regional banks which finance loans through local associations by selling bonds on Wall Street.

Within each district are different types of banks, including the Federal Intermediate Credit banks, Federal Land Banks, a Bank for Co-operatives and the local Production Credit Associations. The committee-passed legislation would streamline the system to cut overheads. The land and intermediate banks would be dissolved and six new regional service banks would take their place. A central Bank for Co-operatives would be formed.

The changes are designed to strengthen local controls over land bank and production credit associations.

The legislation also calls for the creation of a secondary market for farm real estate loans to be poled and traded in an effort to add liquidity to the system, to stabilise land prices and lower interest rates to the farmers.

The bill would also set up a special board to direct financial aid to banks under stress and requires the Government's Farmers Home Administration, which is supposed to lend to the nediest farmers, to favour more farm restructuring and loan servicing in preference to foreclosures.

Deal assures peace at Canadian grain ports

BY ROBERT GIBBENS IN MONTREAL

CANADA'S Great Lakes and St Lawrence shipping system, through which nearly half the country's grain and other commodities move to world markets, can count on three years' peace after the Seafarers International Union signed a conciliatory three-year contract with the shipowners.

The new contract recognises that because of world economic and other factors grain shipments via the eastern route may remain slack for many years. After an active spring, more than 40 bulk carriers are laid up in the St Lawrence system. The backhaul cargo, iron ore, has been permanently reduced by steel industry rationalisation.

The new contract holds wages to the inflation level while opening up work rules to allow younger seamen a better chance to work. The SIU has 4,000 members in the Great Lakes area, but only 1,500 work regularly.

Average pay will stay around C$35,000 a year, and the union gave up a roster of special premiums in return for training programmes, advancement and work sharing.

In the first year the base rate is frozen and in the second and third indexed to the inflation rate to a 5 per cent a year maximum. The shipowners are now negotiating with two unions representing deck and engine room officers. The talks could be difficult.

The SIU settlement eases a pending labour crisis threatening most of Canada's bulk freight transport system. The Seaway workers have settled but the rail unions are still threatening stoppages as contract talks lag.

Value of UK fish catch rises

By Our Commodities Staff

THE VALUE of the UK fish catch leaped by 12 per cent last year with British vessels landing 717,000 tonnes worth £382m in the nation's ports.

According to the Ministry of Agriculture, Fisheries and Food, the value of bottom feeding fish rose 13 to £257m while the value of shellfish soared by 19 per cent to £78m.

The value of landings into England and Wales rose by 16 per cent to £114m, with Scotland's showing a 9 per cent increase to £234m and Northern Ireland's increasing by 30 per cent to £133m.

Landings by foreign vessels into the UK for 1986 remained at 1985s level of 53,000 tonnes, although the value fell by 11 per cent

Experiments in landscape farming

Bridget Bloom looks at a scheme to protect Britain's 'environmentally sensitive areas'

LOOKING SOUTH across Sussex from Chanctonbury Ring the view today is of traditional downland pasture alternating with undulating fields of ripening wheat and oilseed rape—but it could be very different in five years' time.

If the Ministry of Agriculture has had its way the wheat and rape fields will then have gone from all the steep slopes and and probably from the valleys

The protection which is now afforded to the South Downs archaeological sites, like ancient rings or forts, will have been extended to the whole of the South Downs themselves, where the traditional chalk downland, with its proliferation of wild flowers and grazing, will once again hold sway. And in the process the region's farmers will have been weaned away from the highly intensive farming practices which have helped to burden the European Community with its huge farm surpluses.

The South Downs is one of Britain's clumsily named "environmentally sensitive areas," or ESAs for short. The ESAs have been greeted enthusiastically by conservationists, but otherwise are not widely known. This is partly because they are very new: the first schemes were mooted three years ago, but needing EC legislation within the common agriculutral policy, got off the ground only earlier this year. In agricultural terms, therefore, their effect, tentative and experimental as it still is, will not really begin to be felt until the next growing season.

Another reason however is that, until quite recently, the ESAs appeared to be relatively unimportant, except in conservationist terms, in the eyes of the Government. It is only in the last year or so that it has begun to grasp the full potential of the schemes, not just for preserving the best of the countryside but also as a possible vehicle for encouraging less intensive farming and thus, ultimately, a decline in farm surpluses.

The first nine ESA's, designated in 1984-85 with the aid of the Countryside Commission and the Nature Conservancy Council, include the eastern end of the South Downs, the Norfolk Broads, the Pennine Dales, the low-lying wetlands of the Somerset levels, and sites in Cornwall, Wales, Scotland and Northern Ireland. Recently, more sites have been named, although they are not yet fully designated.

These include the western end of the South Downs, the Suffolk river valleys (of Constable fame), Breckland in Norfolk, the Shropshire borders and the Test Valley. The first nine cover an area of some 375,000 hectares and will involve about 5-6,000 farmers. The second group will be at least as large.

The original and still the prime purpose of the ESAs is conservation. They are intended according to Agriculture Ministry hand-outs for farmers, is "to protect some of the most beautiful parts of the country from the damage and loss that can come with agricultural change". Some farming traditions might "have gone for good . . . but we can do something to help farmers resist the financial pressure to plough up old meadows, to use more chemical sprays or to abandon stone barns and hedges" as well as to help with the management of woodland, heather moors and ditches in the interests of wildlife preservation, the Ministry says.

In effect, the ESA schemes allow farmers to be compensated for farming less intensively. Each farmer signs a five-year agreement which is tailored specifically to the needs of his area.

In the South Downs, for example, where the priority is the preservation of traditional pasture, there are nearly 20 "do's and don'ts" for farmers who agree to preserve their present unimproved pasture or to return their fertilised grassland to a more natural state. These include keeping within low stocking limits, eschewing the use of fertilisers, pesticides and herbicides (except for the spot treatment of the most noxious weeds); and maintaining "dew ponds" for sheep and cattle, as well as the traditional stone walls and barns.

In return farmers are paid about £14 an acre for pasture so maintained or — if they elect actually to return their arable fields to pasture and to sow and manage it according to the rules —£64 an acre.

The budgets for the ESAs are tink — some £6m a year for the first nine areas, rising to about £13m once the newer schemes are under way. To put that into financial perspective the UK's total agricultural support bill is about £2.5bn.

As the ESA schemes are voluntary their success is obviously dependent on farmers' attitudes. In the South Downs there is some enthusiasm, considerable scepticism or even alarm — particularly at the financial implications — and some outright opposition.

Mr Tim Allen, the enthusiastic young project officer in charge ofthe South Downs ESA, is fairly satisfied with progress so far, particularly since formal applications from farmers were invited only six months ago.

About 50 per cent of the acreage the Ministry would like to see in the scheme has already been entered by farmers—a total of around 8,000 acres out of a targetted 16,000 acres, in an area which stretches from Worthing in the west to Beachy Head and covers a total of about 50,000 acres.

So far, only some 1,400 acres has ben pledged for the changeover from cereals to grass, out of a targetted 4,500 acres—but Mr Allen notes, for example, that key areas, such as that between Chanctonbury and Cissbury Rings, has nearly all been pledged.

What of farmers attitudes? farms about 500 acres as a tenant of Worthing Corporation, is enthusiastic. He has decided to put most of his acreage in the ESA, on the grounds that it is much more sensible to change the nature of his whole farm to something much less intensive—and therefore less costly in terms of inputs, labour and mechanisation—than to try to retain the farm as a part conservationist, part "modern" enterprise.

Mr Granshaw farms an inverted U-shaped area stretching up to Cissbury Ring and surrounding Worthing Golf Course. He will progressively revert most of the acres now in cereal production to pasture, and graze that less intensively with sheep and suckler cows (who, keeping their calves through a full season, are much less demanding of feed, housing, labour and machinery).

His main motive for taking the ESA compensation is that he beleives the writing is on the wall for cereal producers, particularly if they are on marginal land and low yields. He believes that even with compensation he will suffer a drop in income, which he minds less now that his family is grown up. But the turning point for him, he freely admits, was the offer by Worthing Council, which is conservationist-minded, to halve his rent if he entered the scheme.

However, financial considerations have turned Mr David Taylor, farming 800 acres at the Lewes end of the ESA, against the scheme. Many farmers appear to oppose it because they fear the investment needed to fence and provide water for newly established pasture would be prohibitive. For this reason, many believe that the scheme can only work for farmers who have already fenced and watered pasture.

Mr Taylor says simply that his returns would not be high enough if he were forbidden to use fertiliser on his 200 acres of—already fenced and watered—pasture, while he sees even less financial point in returning arable land to pasture, particularly given his current relatively high yields of cereals.

"The farm has to make a living for me and my family, for my father and three men. We would definitely lose by adopting the scheme," he says.

However, probably the majority of farmers in the area will fall somewhere between these two extremes. Mr Chris Passmore and his cousin Dick, whose two farms are in the Downs above Steyning, already farm in a more traditional way —some unimproved pasture, dew ponds maintained, woodland for wildlife and good rotational practices involving frequent returns to pasture, with no overgrazing either by suckler cows or sheep.

Dick Passmore has decided to enter nearly half of his 510 acres of downland which he has been farming in an eight-year rotation involving grass leys and arable cultivation. Because of this rotation he already has well fenced and watered land, so his main investment will be in expanding his existing flock of sheep by 500 for the new permanent pasture land. Given the savings he expects from his withdrawal from cereal production (fewer inputs, lower labour and machinery costs) and taking account of expected profits from the additional sheep as well as the new ESA grants, Mr Passmore calculates that he will be several thousand pounds a year better off than at present.

However, while his cousin Chris has put about 70 acres of his steepest pasture into the scheme, he is wary of putting more in because he fears the loss of flexibility over the farm as a whole.

Barely a year since their formal inception, it is clearly far too early to tell how successful the ESA schemes will be in conserving the best of Britain's countryside, let alone in helping to reduce agriculutral production in any significant way. Over the next two or three years, a great deal will depend on how farmers see the future: if, like Mr Granshaw, they see the writing on the wall for cereal production they will be more prepared to seek government help to change the nature of their farms than if they believe, as many appear to believe in the South Downs, that they must maximise cereal production now in case compulsory acreage limitations are introduced later.

Perhaps the central question is whether he ESA experiment will prove that methods of achieving and managing a decrease in agriculutral production can be developed without either bankrupting the farmer or leaving the countryside unkempt and uncared for.

It is a very long shot—apart from anything else, there is the problem of how big a burden on Government budgets the compensation might become if the concept was extended. This, and a multitude of other questions may, however, be nearer to an answer as a result of the ESA experiment — which for that reason should deeply interest agriculutre ministers across the European Community.

LONDON MARKETS

PRICES on the London Metal Exchange sustained further sharp losses yesterday as sellers found the market very thin. Closing at £1,108 a tonne the cash Grade A quotation added £11.50 to Wednesday's £18.25 fall, wiping out what remained of Monday and Tuesday's gains. Traders were not convinced that the recent bull run was over, however. They noted that covering interest developed at the equivalent of $1,700 a tonne and said a dip to $1,680 would still leave copper charts in a bull trend. Freer "lending" (selling cash and buying forward) was again a feature of the market, narrowing the cash premium over three months delivery by another £2.25 to £21.50 a tonne. Lead and zinc prices built on Wednesday's sharp gains as the continuing strike at Cominco's Trail and Kimberley plants in British Columbia remained an underpinning factor. Cash prices for both metals were up £8.50, lead at £403 a tonne and zinc at £522 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) £ per tonne	+ or −	High/Low
Cash	—	—	—
3 months	1666-70	−24.5	—

Official closing (am): Cash —— (——), three months 1,671-4 (1,583-6), settlement —— (——). Final Kerb close: Unquoted. Ring Turnover: 100 tonnes.

COPPER

LEAD

NICKEL

ZINC

TIN

KUALA LUMPUR TIN MARKET—Close: 16.73 (16.78) ringgit per kg. Down 0.05.

GOLD

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 100.84p per kg lw (+1.16). GB—Sheep 196.72p per kg est dcw (−10.33). GB—Pigs 74.27p per kg lw (−0.53). FUTURES—Live cattle: Oct 97.00. Sales: 4.

INDICES

REUTERS

Aug. 5	Aug. 4	M'th ago	Year ago
1659.7	1638.8	1638.4	1405.5

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Aug. 5	Aug. 4	M'th ago	Year ago
Spot	130.12	131.03	—	116.03
Fut	129.82	131.14	—	118.64

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Aug. 5 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1770/780	.....	$1708/728
Copper			
Cash Grade A	£1108	−11.5	£1033.5
3 months	£1086.5	−9.25	£1021.5
Gold Troy oz	$469	−1.25	$445
Lead Cash	£403	+8.5	£451
3 months	£383.5	+6	£411.75
Nickel			
Free Mkt	257/267c	+4	206/228c
Palladium oz	$144.50	−1.25	$139.75
Platinum oz	$620.75	−0.75	$564.75
Quicksilver†	$250/260	.....	$235/245
Silver troy oz	525.95p	−7.95	471.45p
3 months	538.30p	−8.20	483.10p
Tin			
free Mkt	£4240/270	−40	£4079/109
Tungsten	$55.69	.....	$56.21
Wolfram 22.01b	$46/55	.....	$48/56
Zinc	£522	+8.5	£532.5
3 months	£518	+7	£520.25
producers	$860	.....	$860
OILS			
Coconut (Phil)	$450x	−5	$485
Palm Malayan	$295v	.....	$327.5
Seeds			
Copra (Phil)	$287.5x	.....	$320
Soyabean (U.S.)	$150.5x	.....	$148
GRAINS			
Barley Fut. Nov.	£100.00	+0.55	£98.75
Maize	£158.50	.....	£150.50
Wheat Fut. Nov.	£101.30	+0.25	£99.15
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1318.5	−8	£1323.5
Coffee Ft. Nov	£1279.5	+9	£1259.5
Cotton A Ind.*	65.45c	+0.30	61.50c
Gas Oil Sept.	$167.5	−1	$168.25
Rubber (kilo)	70p	−0.5	59.5p
Sugar (raw)	$150.8x	−1.2	$178
Wooltops 64s	485p kilo	.....	477p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. v Oct. x Aug-Sept. w Oct-Nov. T Sept. u Sept-Oct.

SILVER

Silver was fixed 7.95p an ounce lower for spot delivery on the London bullion market at 525.95p. US cent equivalents of the fixing levels were: Spot 829.25c, down 13.75c; three-month 844.10c, down 14.30c; six-month 858.90c, down 14.40c; and 12-month 890.35c, down 14.95c. The metal opened at 531-532½p (837-839c) and closed at 529-530½ (834-836c).

SILVER per troy oz	Bullion Fixing price	+ or −	L.M.E. p.m. Unofficial	+ or −
Spot	525.95p	−7.95	535.5p	−18.5
3 months	538.30p	−8.20	547.5p	−19.0
6 months	550.75p	−8.10	—	—
12 months	575.95p	−8.50	—	—

LME—Turnover: Nil (nil) lots of 10,000 ounces.
Three months final kerb 850-3.

COFFEE

Price-fixing and underlying physical interest kept Robustas quietly steady, reports Drexel Burnham Lambert. In light volume levels remained within the long established trading range. Offers from origin prevented any upside potential and industry price-fixing kept levels from dropping too far.

COFFEE	Yesterday close	+ or −	Business done
Sept	1256-1258	+5.0	1260-1246
Nov	1279-1280	+9.0	1284-1267
Jan	1305-1307	+14.5	1305-1289
Mar	1322-1325	+7.0	1325-1319
May	1340-1345	+4.0	1345-1331
July	1360-1365	+3.5	1365-1355
Sept	1380-1385	+0.5	1378

Sales: 2,282 (1,682) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for August 5: Comp. daily 1979 95.94 (96.26); 15-day average 96.11 (96.18).

COCOA

Cocoa failed to make the opening levels due of £15 higher. It traded in a narrow range until late in the day when prices came under pressure from long liquidation. Both manufacturers and origins remain withdrawn from the market, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or −	Business done
Sept	1281-1282	−0.5	1292-1280
Dec	1318-1319	−8.0	1332-1317
March	1351-1352	—	1361-1346
May	1372-1374	+2.5	1382-1370
July	1391-1395	+3.5	1398-1385
Sept	1409-1410	+3.0	1418-1408
Dec	1430-1435	+3.0	1441-1437

Sales: 4,380 (3,728) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for August 6: 1,595.05 (1,583.92); 10-day average for August 7: 1,618.56 (1,627.03).

FREIGHT FUTURES

Futures again steadied in line with a firmer physical market with early rumours of a Gulf/Japan fixture at $16.50, which was later confirmed, inspiring good buying throughout the day. Timecharter rates continued to climb, influencing a rise in voyage rates. This trend is expected to continue, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	1145/1150	1152/1140	1138
Jan.	1161	1157/1141.5	1130
Apr.	1175	1170/1166	1160
July	1000/1050	1035	1020/1030
Oct.	1084	—	1064
Jan.	1100	—	1070
April	1145	—	1110
BIF.	1014.5	—	1003

Turnover: 248 (451).

GRAINS

LONDON GRAINS—Wheat US dark northern spring No 2 14 per cent Aug 92.75, Sept 93.00, Oct 94.50. US No 2 soft red winter Aug 88.50, Sept 90.00, Oct 92.75. French 11½-12 per cent Aug 121.50. English feed fob Sept 101.25-101.50 buyer/seller, Oct/Dec 104.00 buyer, Jan/March 108.50-109.00 buyer/sellers, April/June 113.50 sellers. Maize: US No 3 yellow/French transhipment east coast Aug 158.50. Barley: English feed Aug 96.00-97.25 buyer/seller, Sept 99.25, Oct/Dec 103.50 sellers, Jan/March 107.50 buyers.

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or −	Yest'rdy's close	+ or −
Sep.	99.80	+0.10	98.95	+0.50
Nov.	101.30	+0.25	100.00	+0.55
Jan.	104.08	+0.30	102.80	+0.55
Mar.	106.90	+0.30	104.95	+0.50
May	109.35	+0.25	106.90	+0.55
July	112.00	+0.30	—	—

Business done—Wheat: Sept 99.60-9.50, Nov 101.30, Jan 104.00, March 106.90-6.90, May 109.20-9.10, July 112.00-1.70. Sales: 98 lots of 100 tonnes. Barley: Sept 98.95-8.90, Nov 100.00-99.55, Jan 102.80-2.50, March 104.95, May untraded. Sales: 38 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 92.20, S. West 91.90, W. Midlands 90.90, N. West 92.30. The UK monetary coefficient for the week beginning Monday August 10 will remain unchanged.

Wheat opened unchanged, at which level first trades took place. Values then found keen mixed buying interest to rally in thin trading conditions. Flat trade was light. Barley also opened unchanged with first trade taking place at 10p up. The market found light shipper buying interest and with lack of country hedge selling values moved higher. The afternoon saw renewed shipper buying which took values as high as 55p up on the final bell. At that level, keen country hedge selling was noted and market closed with sellers over, reports T. G. Roddick.

POTATOES

Aggressive selling on the opening, encouraged by a weaker physical quotation, again failed to push April below the £125.00 support level. Buying interest here was keen and once it became apparent that the level would hold short-covering in thin volume rallied values, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	88.80	88.80	90.00-89.00
Feb.	97.50	97.50	—
March	84.50	84.50	—
Apr.	126.60	126.50	126.50-125.00
May	140.50	139.50	—

Sales: 507 (690) lots of 40 tonnes.

OIL

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel) August		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.60-17.70*	−0.25
Brent Blend	19.65-19.70	−0.175
W.T.I. (1pm est)	21.15-21.20*	−0.175
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe		
Prompt delivery cif ($ per tonne)		
Premium gasoline	196-199	—
Gas Oil	166-167	−1
Heavy fuel Oil	111-112	−2
Naphtha	171-175	−1

* September.
Petroleum Argus estimates.

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or −	Business done
August	128.8-128.8	—	—
October	123.5-125.5	+1.40	—
Dec	123.5-125.5	+1.35	—
Feb	123.5-125.5	+0.25	—
April	124.5-128.0	+1.38	—
June	125.0-125.0	−0.25	—
August	128.0-134.5	—	—

Sales: Nil (2) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $150.80 ($56.00), down $1.20 (down 40p) a tonne for August-September delivery. White sugar $173.40, unchanged.

GAS OIL FUTURES

RUBBER

PHYSICALS—Closing prices (buyers): Spot 70.00p (70.50p); Sept 69.25p (70.00p); Oct 69.50p (70.25p). The Kuala Lumpur fob prices (Malaysia/Singapore cents) per kg: RSS No 1 289.0 (288.5); SMR 20 233.0 (232.5).

US MARKETS

CRUDE OIL futures eased slightly on local profit-taking and commission house selling despite persistent trade buying, reports Drexel Burnham Lambert. In platinum and silver heavy fund, trade and local selling depressed prices but losses were pared by trade profit-taking. Gold finished the day higher on trade and local buying in a generally lacklustre session. Copper was quiet with fund selling counteracted by underlying fundamental strength. Sugar rallied on early commission house and fund buying to finish slightly higher despite trade selling. Cocoa found support from manufacturer buying after early commission house selling. Coffee firmed on fund and trade buying in the face of roaster selling. The main feature in the grains was professional buying of the soyabean meal-oil futures spread.
beef prices.

NEW YORK

ALUMINIUM 40,000 lb. cents/lb

	Close	Prev	High	Low
August	76.65	77.35	—	—
Sept	76.40	77.10	76.50	76.50
Oct	75.80	76.50	—	—
Dec	75.30	76.00	76.50	75.50
Jan	72.35	73.05	—	—
March	70.85	71.55	—	—
May	69.55	70.25	—	—

COCOA 10 tonnes, $/tonnes

COFFEE "C" 37,500 lb, cents/lb

COPPER 25,000 lbs, cents/lb

COTTON 50,000 lbs, cents/lb

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

SUGAR WORLD "11" 112,000 lbs, cents/lb

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
August	468.0	466.5	469.4	466.5
Sept	470.2	469.2	469.5	469.5
Oct	472.5	471.8	474.8	471.0
Dec	478.6	477.6	480.5	477.0
Feb	484.5	483.5	485.9	483.0
April	490.5	489.5	492.4	489.0
June	496.7	495.7	498.5	495.7
August	503.2	502.2	507.5	502.3
Oct	509.9	508.8	511.3	509.3
Dec	516.8	515.8	519.8	515.6
Feb	523.5	522.5	522.0	522.0
June	537.6	536.6	538.0	538.0

ORANGE JUICE 15,000 lb, cents/lb

PLATINUM 50 troy oz, $/troy oz

HEATING OIL 42,000 US gallons, cents/US gallons

SILVER 5,000 troy oz, cents/troy oz

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

LIVE HOGS 30,000 lbs, cents/lb

MAIZE 5,000 bu min, cents/56 lb bushel

PORK BELLIES 38,000 lbs, cents/lb

SOYABEANS 5,000 bu min, cents/60 lb bushel

SOYABEAN MEAL 100 tons, $/ton

SOYABEAN OIL 60,000 lbs, cents/lb

WHEAT 5,000 bu min, cents/60 lb bushel

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up despite intervention

THE DOLLAR remained very firm in spite of further intervention on the open market by the West German Bundesbank. The US Federal Reserve also sold dollars, but not on a large enough scale to dent the market's demand for the US currency.

The central banks appear to have set a ceiling of DM1.8850 on the dollar at present, but after retreating to DM1.8770 on news of the intervention the currency began to climb again.

Demand is based on technical chart analysis, and also on tension in the Middle East, amid fears the Gulf war between Iran and Iraq could spread and possibly involve the US.

The recent rise in US interest may be also encouraging buying of of the dollar ahead of the delayed US Treasury quarterly refunding programme.

The dollar rose to DM1.8890 from DM1.8775; to FFr6.2750 from FFr6.2525; to SFr1.5625 from SFr1.5570; and to Y151.35 from Y150.70.

On Bank of England figures the dollar's index was unchanged at 104.5.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. July average 1.6096. Exchange rate index was unchanged at 72.1, compared wih 68.8 six months ago.

Sterling finished weaker against the dollar, but stronger against other major currencies. The rise of 1 per cent in UK bank base rates was a surprise to the market, but had little impact.

The market is now taking a wait-and-see attitude towards the pound, which has not reacted very much to recent volatility in the oil market, but may now show greater concern about underlying economic fundamentals.

An improvement in Tuesday's June UK trade figures has been generally forecast; but dealers fear yesterday's move by the Bank of England to put up interest rates may signal another bad set of figures, after the May trade deficit of £1.16bn. The market will also watch carefully for any further increase in bank lending when figures are published on August 20.

Sterling fell ¼ cent to $1.5760-$1.5770, but rose to DM 2.9675 from DM 2.9650; to FFr 9.8925 from FFr 9.8725; to SFr 2.4625 from SFr 2.4575; and to Y238.50 from Y238.

D-MARK—Trading range against the dollar in 1987 is 1.9395 to 1.7690. July average 1.8498. Exchange rate index 145.7 against 147.4 six months ago.

The D-Mark closed little changed against the dollar in Frankfurt, as central bank intervention kept a cap on the upward trend in the US currency. The dollar finished at DM 1.8805, compared with DM 1.8815 previously.

At the Frankfurt fixing the Bundesbank sold $5.7m as the dollar rose to DM 1.8842 from DM 1.8789.

Soon after, the Bundesbank and the US Federal Reserve sold dollars on the open market, ending doubts about whether the West German central bank would intervene again, as it had on Wednesday morning at around the DM 1.8850 level.

News that German industrial orders fell 0.9 per cent in June, compared with a similar figure in May had no impact, and there was also no reaction to a report from the West German Economies Ministry that real economic growth was 1.5 per cent in the second quarter.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. July average 150.25. Exchange rate index 214.3 against 209.6 six months ago.

The yen strengthened a little against the dollar as dealers in Tokyo responded to Wednesday's intervention by the West German Bundesbank to sell the US currency.

There were no new factors, but dealers commented that the fall in oil and gold prices overnight were largely technical and likely to be reversed.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug. 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0572	+1.41	+0.80	±1.5344
Danish Krone	7.85212	7.89204	+0.51	−0.10	±1.6404
German D-Mark	2.05853	2.07561	+0.83	+0.22	±1.0982
French Franc	6.90403	6.91538	+0.16	−0.45	±1.3674
Dutch Guilder	2.31943	2.33660	+0.74	+0.13	±1.5012
Irish Punt	0.768411	0.774646	+0.81	+0.20	±1.6684
Italian Lira	1483.58	1503.27	+1.33	+1.25	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Aug. 6	Latest	Previous Close
£ Spot	1.5750-1.5760	1.5775-1.5785
1 month	0.32-0.30 pm	0.27-0.26 pm
3 months	0.91-0.87 pm	0.86-0.84 pm
12 months	3.20-3.10 pm	2.99-2.92 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Aug. 6	Previous
8.30 am	72.1	72.1
9.00 am	72.0	72.1
10.00 am	72.0	72.1
11.00 am	72.0	72.1
Noon	72.0	72.1
1.00 pm	72.1	72.2
2.00 pm	72.3	72.1
3.00 pm	72.1	72.1
4.00 pm	72.1	72.1

CURRENCY RATES

Aug. 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.79861	0.698384
U.S. Dollar	5.5	1.2550	1.10170
Canadian $	8.75	*	1.45645
Austrian Sch.	4	N/A	14.5876
Belgian Franc	7¾	*	43.0572
Danish Krone	7	*	7.89204
Deutsche Mark	3.0	2.3642	2.07561
Neth. Guilder	4½	N/A	2.33640
French Franc	9½	7.8950	6.91538
Italian Lira	11.5	N/A	1503.27
Japanese Yen	2½	189.51	166.413
Norway Krone	8	N/A	7.56155
Spanish Peseta	—	*	140.687
Swedish Krona	7½	*	7.22643
Swiss Franc	3.5	*	1.72031
Greek Drach.	20½	*	156.607
Irish Punt	—	*	0.774646

*CS/SDR rate for Aug. 5: 1.66669.

CURRENCY MOVEMENTS

Aug. 6	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.1	−21.3
U.S. Dollar	104.5	−3.0
Canadian Dollar	79.2	−9.6
Austrian Schilling	136.5	+10.1
Belgian Franc	99.3	−4.5
Danish Krone	91.2	+2.7
Deutsche Mark	145.7	+21.1
Swiss Franc	171.0	+22.2
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Aug. 6	£	$
[illegible]	[illegible]	[illegible]
Kuwait	0.44810-0.44870	0.28420-0.28430
Luxembourg	61.50-61.60	39.00-39.10
Malaysia	4.0025-4.0130	2.5435-2.5445
Mexico	2259.25-2262.50	1434.00-1435.00
N. Zealand	2.7505-2.7555	1.7450-1.7470
Saudi Ar.	5.9120-5.9175	3.7490-3.7500
Singapore	3.3230-3.3300	2.1120-2.1130
S. Af. (Cm)	3.2510-3.2665	2.0705-2.0745
S. Af. (Fn)	5.1655-5.3410	3.2785-3.3900
Taiwan	48.00-48.25	30.45-30.55
U.A.E.	5.7915-5.7970	3.6725-3.6735

*Selling rate

POUND SPOT—FORWARD AGAINST THE POUND

August 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5710-1.5795	1.5760-1.5770	0.45-0.40c pm	3.24	1.20-1.00 pm	2.79
Canada	2.0796-2.0902	2.0835-2.0845	0.22-0.08c pm	0.83	0.53-0.21 pm	0.71
Netherlands	3.33¼-3.34¼	3.33¾-3.34¾	1⅞-⅞c pm	4.94	3⅛-3pm	3.81
Belgium	61.39-61.65	61.50-61.60	17-10c pm	2.63	48-39 pm	2.83
Denmark	11.23¼-11.28¼	11.26¼-11.27¼	⅛pm-1½ore dis	−0.40	⅞-2½ dis	−0.60
Ireland	1.1056-1.1090	1.1060-1.1070	par-0.10p dis	−0.54	par-0.20 dis	−0.36
W. Germany	2.96-2.97¼	2.96¼-2.97¼	1⅞-1⅛pf pm	5.05	3¾-3⅝ pm	5.05
Portugal	230.31-231.97	230.65-231.65	26-95c dis	−3.14	261-352dis	−5.31
Spain	200.75-201.26	200.90-201.20	61-94c dis	−4.63	221-270 dis	−4.88
Italy	2143¾-2151¾	2150¼-2151¾	5-8lire dis	−3.65	12-18 dis	−2.79
Norway	10.78¾-10.83¾	10.82¼-10.83¼	4⅛-5⅞ore dis	−5.26	12⅛-13⅞ dis	−4.87
France	9.85¾-9.90¾	9.88¾-9.89¾	1-½c pm	0.99	3¼-2¼pm	1.09
Sweden	10.31½-10.34¾	10.33¾-10.34¾	⅛pm-¼ ore dis	0.22	⅛pm-½ dis	0.10
Japan	237¼-239	238-239	1¼-1 yen pm	5.66	3⅛-3 pm	5.35
Austria	20.80-20.85	20.80-20.83	9⅛-7⅞ gro pm	4.90	26⅞-24⅞ pm	4.95
Switzerland	2.45¼-2.46¼	2.45¾-2.46¼	1¼-1 c pm	5.48	3½-3¼ pm	5.38

Belgian rate is for convertible francs. Financial franc 61.85-61.95. Six-month forward dollar 2.15-1.95 c pm. 12-month 3.70-3.50 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Aug. 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5710-1.5795	1.5760-1.5770	0.45-0.40c pm	3.24	1.20-1.00 pm	2.79
Ireland†	1.4212-1.4255	1.4230-1.4240	0.19-0.14c pm	1.39	0.76-0.66 pm	1.99
Canada	1.3205-1.3240	1.3230-1.3240	0.25-0.28c dis	−2.40	0.68-0.71 dis	−2.10
Netherlands	2.1125-2.1215	2.1190-2.1200	0.29-0.25c pm	1.53	0.92-0.87pm	1.69
Belgium	38.95-39.10	39.00-39.10	3pc-par	0.46	8-3 pm	0.56
Denmark	7.12¾-7.16¼	7.14½-7.15	1.15-1.85ore dis	−2.51	4.85-5.35 dis	−2.79
W. Germany	1.8770-1.8850	1.8725-1.8835	0.48-0.45pf pm	2.96	1.29-1.24pm	2.69
Portugal	146¼-147½	146¼-147	70-105c dis	−7.16	260-315 dis	−7.84
Spain	127.35-127.80	127.70-127.80	50-70c dis	−5.64	190-220 dis	−6.42
Italy	1360-1366	1364¼-1364¾	6.00-7.00lire dis	−5.72	15.50-18.50dis	−4.98
Norway	6.85-6.87	6.86-6.87	3.95-4.45ore dis	−7.34	11.95-12.45dis	−7.11
France	6.25½-6.28¾	6.27¼-6.27¾	0.53-0.63c dis	−1.11	1.60-1.90 dis	−1.12
Sweden	6.54½-6.56¼	6.55¾-6.56¼	0.85-1.15ore dis	−1.83	3.25-3.65 dis	−2.10
Japan	150.60-151.40	151.30-151.40	0.43-0.40y pm	3.30	1.17-1.12 pm	3.03
Austria	13.20¾-13.24¾	13.21½-13.22	3.00-2.60gro pm	2.54	9.00-8.00 pm	2.57
Switzerland	1.5570-1.5630	1.5620-1.5630	0.48-0.43c pm	3.50	1.29-1.24 pm	3.26

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.20-39.30

EURO-CURRENCY INTEREST RATES

Aug. 6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9½-9	9¼-9½	9⅞-9⅝	10¹⁄₁₆-9⅞	10⅛-10	10⅜-10¼
U.S. Dollar	6⅝-6½	6¹³⁄₁₆-6¹¹⁄₁₆	6¾-6⅝	7¹⁄₁₆-6¹⁵⁄₁₆	7³⁄₁₆-7¹⁄₁₆	7⅜-7¼
Can. Dollar	8⅝-8¼	9-8⅝	9-8⅝	9⅛-8¾	9½-9⅛	9⅝-9¼
D. Guilder	5⅛-5	5³⁄₁₆-5¹⁄₁₆	5⅜-5¼	5⅜-5¼	5⁵⁄₁₆-5³⁄₁₆	5⅝-5½
Sw. Franc	2⅛-1⅞	2⅛-1⅞	3½-3⅜	3¹³⁄₁₆-3¹¹⁄₁₆	4¹⁄₁₆-3¹⁵⁄₁₆	4⅛-3¹⁵⁄₁₆
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Aug. 6	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.337	0.531	1.	80.37	3.394	0.830	1.128	724.9	0.702	22.74
YEN	4.193	6.610	12.44	1000.	41.48	10.32	14.01	9020.	8.730	283.1
F Fr.	1.011	1.594	3.000	241.1	10.	2.489	3.379	2175.	2.107	62.22
S Fr.	0.406	0.640	1.205	96.85	4.017	1.	1.357	873.6	0.846	24.99
H Fl.	0.299	0.472	0.888	71.35	2.960	0.737	1.	643.6	0.623	18.41
Lira	0.465	0.733	1.379	110.9	4.598	1.145	1.554	1000.	0.969	28.61
C $	0.480	0.756	1.424	114.4	4.747	1.182	1.604	1032.	1.	29.53
B Fr.	1.625	2.561	4.821	387.5	16.07	4.001	5.431	3495.	3.386	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts fall on base rate rise

LONG TERM gilt futures fell sharply in very active trading on the London International Financial Futures Exchange yesterday.

Total volume in long term gilts was 56,065, only slightly below the record set on June 23.

The FT-SE 100 futures contract also traded heavily, at a record volume of 5,322, up 19 per cent from Wednesday's level of 4,460 lots, which was also a record.

A sudden and unexpected rise in the Bank of England's money market dealing rate prompted heavy selling as UK banks responded by increasing their base rates 1 per cent to 10 per cent.

September gilts opened at 118-16, and touched 118-20 in the early morning, before losing over three points to a low of 115-12. Traders, already nervous about next Tuesday's June UK trade figures and next bank lending figures, scheduled for August 20, feared the worst.

Forecasts in the City for the trade figures have centred around a deficit of £700m to £800m, and a small current account shortfall, but yesterday's move by the authorities led to worries there will be little improvement over the May trade deficit of £1.16bn and the payments deficit of £561m.

As the contract showed very little recovery, to finish at 115-16, compared with 118-13 on Wednesday, dealers commented that a rise of 1 per cent in base rates was unlikely to be sufficient if the news on trade and bank lending confirmed recent suggestions that the economy is overheating, as the British borrow heavily in order to buy foreign goods.

US Treasury bond futures opened at 89-02 and after touching 89-09 closed at 88-28, against 88-20 previously. A further easing of oil and gold prices underpinned US bonds, but the market awaited news on the delayed US Treasury quarterly refunding programme, amid hopes that Congress was near to sanctioning a rise in the debt ceiling.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
112	3.42	4.61	0.20	1.23
114	2.03	3.43	0.35	2.05
116	0.52	2.41	1.20	3.03
118	0.23	1.50	2.55	4.12
120	0.09	1.13	4.41	5.39
122	0.02	0.49	6.34	7.11
124	0.00	0.29	8.32	8.55
126	0.00	0.20	10.32	10.46

Estimated volume total, Calls 2,971 Puts 3,741
Previous day's open int: Calls 33,564 Puts 21,770

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
82	6.65	6.35	0.00	0.41
84	4.49	5.01	0.03	1.07
86	3.07	3.45	0.15	1.51
88	1.39	2.30	0.41	2.36
90	0.32	1.31	1.40	3.37
92	0.07	0.57	3.15	4.63
94	0.01	0.33	5.09	6.39
96	0.00	0.18	7.08	8.24

Estimated volume total, Calls 45 Puts 8
Previous day's open int: Calls 1,913 Puts 2,281

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Aug.	Calls-Last Sept.	Puts-Last Aug.	Puts-Last Sept.
23250	1.29	3.51	7.69	9.91
23500	0.80	2.76	9.70	11.66
23750	0.48	2.14	11.88	13.54
24000	0.27	1.63	14.17	15.53
24250	0.15	1.23	16.55	17.63
24500	0.07	0.92	18.97	19.82
24750	0.04	0.67	21.44	22.07
25000	0.02	0.49	23.92	24.39

Estimated volume total, Calls 72 Puts 56
Previous day's open int: Calls 373 Puts 295

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6432	0.6443	0.6420	0.6436
Dec.	0.6485	0.6491	0.6469	0.6486
Mar.	0.6555	0.6565	0.6535	0.6549
June	—	—	—	0.6609

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
Sept.	317.90	319.85	317.80	319.40
Dec.	320.55	322.40	320.50	322.00
Mar.	323.05	324.90	323.00	324.30
June	325.50	327.50	325.50	327.00

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept.	1.5702	1.5719	1.5700	1.5730
Dec.	1.5603	1.5628	1.5628	1.5645
Mar.	1.5505	—	—	1.5570

Estimated volume 40 (2)
Previous day's open int 886 (887)

MONEY MARKETS

UK base rates up

A RISE of 1 per cent to 10 per cent in UK bank base rates came as a shock to the London money market yesterday. The move was engineered by the Bank of England when it offered to buy bills from the market 1 per cent higher than the established level.

At the time of the announcement from the authorities three-month interbank was trading at an unchanged level of 9⅞-9¹³⁄₁₆ per cent, but then jumped to 10⅛-10 per cent, as the market suspected that Tuesday's June UK trade figures will not show the widely forecast improvement over May's disappointing deficit.

UK clearing bank base lending rate 10 per cent since August 7

The Bank of England initially forecast a money market shortage of £700m, but revised this to £750m in the afternoon.

Before lunch the central bank said it was prepared to accept outright offers of bills in all four maturity bands at discount rates of 9⅝ per cent, but did not operate in the market during the morning.

In the afternoon the Bank of England bought £781m bills outright, by way of £321m bank bills in band 1 at 9⅞ per cent; £5m bank bills in band 3 at 9⅞ per cent; £175m Treasury bills in band 4 at 9⅞ per cent; £5m local authority bills in band 4 at 9⅞ per cent; and £275m bank bills in band 4 at 9⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £371m, with Exchequer transactions absorbing £375m, and a rise in the note circulation £35m. These outweighed bank balances above target of £70m.

In Frankfurt call money was steady at 3.60 per cent, in spite of Wednesday's drain of liquidity, when the Bundesbank accepted bids of only DM 5.3bn at a securities repurchase agreement tender, against maturities of DM 12.4bn.

Further liquidity will be removed from the banking system today, the equivalent of up to $150m, following intervention by the Bundesbank to sell dollars on Wednesday, while banks have also paid for DM 580m of Treasury notes this week.

Conditions are expected to remain comfortable however, with an inflow of about DM 8bn from payments on Federal Government bonds and ohter factors. Banks also remain well placed on minimum reserve requirements at the Bundesbank. On Tuesday reserves totalled DM 63.3bn, and averaged DM 59bn over the first four days of August, against an expected daily average requirement of about DM 52bn.

In Tokyo the Japanese Finance Ministry sold Y1,396.35bn of six-month debt financing paper at an average yield of 3.504 per cent, compared with a record low average yield of 3.248 per cent at the previous auction on March 10.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug. 6) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 ¹⁵⁄₁₆	offer 7 ¹⁄₁₆	bid 7 ¹⁄₁₆	offer 7 ³⁄₁₆

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 pm)

Prime rate	8¼
Broker loan rate	8-7¾
Fed. funds	6⅝
Fed. funds at intervention	6⅝

Treasury Bills and Bonds

One month	5.14	Three year	7.98
Two month	5.68	Four year	8.17
Three month	5.97	Five year	8.29
Six month	6.35	Seven year	8.54
One year	6.89	10 year	8.72
Two year	7.66	30 year	8.96

August 6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.55-3.65	3.75-3.90	3.75-3.90	3.85-4.00	3.95-4.15	5.0
Paris	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅞-8	8⅛-8⅜	7½
Zurich	⅞-1⅛	3¼-3⅜	—	3½-3¾	—	—
Amsterdam	5¼-5⅜	5⅜-5½	—	5⅜-5½	—	—
Tokyo	3.21875	3.59375	—	3.71875	—	—
Milan	10⅞-11¼	11⅛-11⅞	—	11⅜-11⅞	—	—
Brussels	7.20	6⅞-6⅞	—	6½-6⅝	—	—
Dublin	7⅞-7¾	8⅞-9⅛	9⅛-9⅜	9⅜-9⅝	10-10¼	—

LONDON MONEY RATES

Aug. 6	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9½-6	7⅞-7⅛	10⅛-9⅞	10⅛-9⅞	10⅛-9⅞	10⁵⁄₁₆-10⅛
Sterling CDs	—	—	10⅛-9⅞	10⅛-9⅞	10⅛-9⅞	10⁵⁄₁₆-10⅛
Local Auth'rity Deps.	7⅞	7⅞	9⅞	9⅞	9⅞	9⅞
Local Authority Bonds	—	—	9	9⅞	9⅞	10⅛
Discount Mkt Deps.	9-6	7⅞	9½	9⅞	—	—
Company Deposits	8	8⅛	9	9½	9⅞	10⅛
Finance House Deposits	—	—	9⅞	9⅞	9⅞	10
Treasury Bills (Buy)	—	—	9⅞	9⅞	—	—
Bank Bills (Buy)	—	—	9⅞	9⅞	9⅞	—
Fine Trade Bills (Buy)	—	—	10⅛	10⅛	10⅛	—
Dollar CDs	—	—	6.85-6.80	6.95-6.90	7.15-7.10	7.65-7.60
SDR Linked Deposits	—	—	6-5⅞	6⅛-6⅛	6½-6⅜	6⅞-6⅝
ECU Linked Deposits	—	—	6⅞-6⅜	7⅛-6⅞	7⅛-7⅛	7⅛-7⅛

Treasury Bills (sell); one-month 9⅞ per cent; three-months 9⅞ per cent; Bank Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 8.9371 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1987. Agreed rates for period August 26 to September 22 1987, Scheme I: 10.59 p.c., Schemes II & III: 10.49 p.c. Reference rate for period July1 to July 31, 1987, Scheme IV: 9.238 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ per cent from August 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3¼ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¼ per cent; three-six months 9 per cent; six-nine months 9⅛ per cent; nine-12 months 9⅛ per cent; Under £100,000 8 per cent from July 14. Deposits withdrawn for cash 5 per cent.

Company Notices

Legal Notices

Clubs

$ WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, Aug. 5, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London,
New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.10598 SDR1=$US1.25823
As of Aug. 5, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7¹⁄₁₆	7⁵⁄₁₆
Sibor:	7³⁄₁₆	7⅜

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	6.3924
Algeria	Dinar	4.67
Andorra	French Franc	6.251
	Spanish Peseta	127.24
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral	2.017
Aruba	Florin	1.79
Australia	Dollar	1.4265
[illegible]	[illegible]	[illegible]
Gibraltar	Pound*	1.58
Greece	Drachma	141.53
Greenland	Danish Krone	7.1135
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	6.251
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, f)	2.695
Guinea Bissau	Peso (1)	650.00
[illegible]	[illegible]	[illegible]
Papua New Guinea	Kina	0.9195
Paraguay	Guarani (o)	320.00
	Guarani (p)	550.00
	Guarani (d)	796.00
Peru	Inti (o) (a)	15.89
	Inti (f)	32.15
	Inti (f)	19.88
Philippines	Peso	20.43
Pitcairn Islands	N.Z. Dollar	1.7326
[illegible]	[illegible]	[illegible]

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY AUGUST 6 1987					WEDNESDAY AUGUST 5 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	154.20	-0.1	145.02	146.51	2.49	154.41	144.98	146.34	154.41	99.92	73.64
Austria (16)	96.13	-0.4	90.40	93.82	2.20	96.47	90.58	94.19	101.62	85.53	90.63
Belgium (48)	126.39	+0.2	118.86	122.34	3.92	126.17	118.47	121.97	133.44	96.19	86.64
Canada (132)	139.41	+0.2	131.11	133.61	2.12	139.19	130.69	133.60	139.85	100.00	97.41
Denmark (39)	113.42	-0.2	106.66	110.25	2.52	113.62	106.68	110.22	124.10	98.18	96.17
France (121)	105.64	+0.3	99.35	103.99	2.73	105.29	98.86	103.27	121.82	98.39	90.75
West Germany (92)	101.28	+0.5	95.25	99.15	1.91	100.77	94.62	98.36	101.28	84.00	86.11
Hong Kong (45)	140.42	-0.3	132.06	140.79	2.59	140.90	132.30	141.27	141.57	96.89	76.70
Ireland (14)	134.92	-1.7	126.88	133.55	3.37	137.22	128.84	135.49	145.41	99.50	88.74
Italy (76)	91.94	-1.1	86.46	93.69	1.95	92.94	87.26	94.36	112.11	91.94	96.38
Japan (458)	134.67	+0.8	126.65	128.84	0.53	133.58	125.42	127.25	161.28	100.00	92.12
Malaysia (36)	189.84	+1.6	178.53	186.00	2.01	186.86	175.45	183.10	189.84	98.24	81.72
Mexico (14)	294.37	-0.2	276.83	461.69	0.65	295.02	277.01	463.69	309.34	99.72	61.60
Netherland (38)	127.81	-0.4	120.20	123.64	3.58	128.35	120.52	123.84	128.35	99.65	93.80
New Zealand (26)	112.33	+0.0	105.64	104.15	2.86	112.38	105.51	103.94	112.38	83.93	72.15
Norway (24)	162.57	+0.5	152.89	151.54	1.80	161.81	151.93	150.44	162.57	100.00	93.30
Singapore (27)	168.62	+1.8	158.57	164.15	1.51	165.71	155.59	161.24	168.62	99.29	81.42
South Africa (61)	188.60	-2.7	177.36	137.44	3.11	193.75	181.92	136.63	198.09	100.00	69.06
Spain (43)	138.23	-1.7	130.00	133.78	2.96	140.68	132.09	135.93	144.48	100.00	89.33
Sweden (33)	122.00	+0.4	114.74	118.48	1.96	121.53	114.11	117.80	124.68	90.85	94.90
Switzerland (53)	104.44	+1.3	98.22	101.17	1.64	103.07	96.78	99.49	104.91	92.01	83.73
United Kingdom (335)	145.74	-2.5	137.05	137.05	3.20	149.41	140.29	140.29	162.87	99.65	91.23
USA (590)	131.32	+1.3	123.50	131.32	2.78	129.67	121.75	129.67	131.32	100.00	98.91
Europe (932)	122.07	-1.1	114.80	117.55	2.78	123.47	115.93	118.63	128.35	99.78	90.24
Pacific Basin (686)	135.58	+0.7	127.51	129.83	0.68	134.58	126.36	128.35	158.77	100.00	90.87
Euro-Pacific (1618)	130.23	+0.0	122.48	124.94	1.47	130.19	122.24	124.47	143.65	100.00	90.63
North America (722)	131.75	+1.2	123.90	131.47	2.75	130.18	122.23	129.92	131.75	100.00	98.83
Europe Ex. UK (597)	107.39	+0.0	100.99	105.48	2.42	107.37	100.82	105.16	108.64	98.02	89.67
Pacific Ex. Japan (228)	146.78	+0.0	138.04	141.83	2.47	146.83	137.86	141.67	146.83	99.92	75.25
World Ex. US (1825)	131.29	+0.0	123.47	125.64	1.52	131.30	123.28	125.18	143.38	100.00	90.61
World Ex. UK (2080)	129.85	+0.8	122.11	127.00	1.88	128.79	120.93	125.67	133.61	100.00	94.10
World Ex. So. Af. (2354)	130.89	+0.5	123.09	127.81	2.00	130.21	122.26	126.90	135.02	100.00	93.99
World Ex. Japan (1957)	129.65	+0.3	121.93	127.44	2.75	129.24	121.35	126.88	130.00	100.00	94.67
The World Index (2415)	131.26	+0.5	123.44	127.92	2.01	130.62	122.64	127.02	135.15	100.00	93.84

Base values: Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Aug 87		Nov 87		Feb 88		
GOLD C	$460	43	12	129	30	11	40.50	$469.40
GOLD C	$480	199	4	197	19.50	26	30	"
GOLD C	$500	45	1.70B	78	16	5	22.50	"
GOLD C	$520	118	0.60B	60	9.80	3	15.50	"
GOLD P	$440	—	—	31	5.60	—	—	"
GOLD P	$460	30	4	15	12.50	—	—	"
GOLD P	$480	—	—	10	25.00	—	—	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$700	—	—	12	160	—	—	$836
SILVER C	$750	—	—	—	—	12	130	"
SILVER C	$900	40	20	11	50	15	100	"
SIVLER C	$1000	40	10	—	—	—	—	"
SILVER P	$850	14	45	10	85	—	—	"
		Aug 87		Sept 87		Oct 87		
$/FL C	Fl.205	3	7	20	6.80	—	—	Fl.211.80
$/FL C	Fl.210	237	2.10B	1217	3.90	—	—	"
$/FL C	Fl.215	120	0.50	42	1.40	120	2.50	"
$/FL P	Fl.200	20	0.10	2	0.40	—	—	"
$/FL P	Fl.205	—	—	—	—	10	1.50	"
$/FL P	Fl.210	1019	0.80	200	2	—	—	"
$/FL P	FL.215	22	3.60B	508	5	—	—	"
		Dec 87		Mar 88		Jun 88		
$/FL C	Fl.200	12	12	24	12.50	5	13	Fl.211.80
$/FL C	Fl.205	11	8.20	81	8.80	3	10.10	"
$/FL C	Fl.210	18	5.80	30	6.80	—	—	"
$/FL C	Fl.215	106	3.90	36	4.30	3	5.40	"
$/FL C	FL.220	12	2.20	—	—	6	4.30	"
$/FL P	FL.200	5	1.80	—	—	2	5	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	Fl.500	342	15.80	14	28	—	—	FL.501
ABN P	Fl.460	86	4	202	9	1	13.50	"
AEGON C	Fl.95	214	5.70	17	8.50	5	11	F98.40
AEGON P	Fl.95	110	2.90	—	—	—	—	"
AHOLD C	FL.110	49	5.20	11	7.30	—	—	FL.109.30
AHOLD P	Fl.110	83	4.90B	55	8	—	—	"
AKZO C	Fl.170	2290	11.50	272	15.50	123	19.30B	FL.174.80
AKZO P	Fl.160	465	2.10	123	5	10	5.70	"
AMEV C	FL.65	464	5.50	12	6.90	3	9	FL.68.90
AMEV P	FL.70	67	4	35	4.40	—	—	"
AMRO C	Fl.80	545	6	11	8	2	10.50	Fl.85
AMRO P	FL.80	67	1.80	—	—	2	4	"
ELSEVIER C	FL.65	1650	6.80	267	9	65	10.90B	Fl.64
GIST-BROC C	Fl.95	417	2.10	201	3.50	91	4.50	FL.51.90
GIST-BROC. P	FL.50	203	1.90B	10	3.40	40	3.50	"
HEINEKEN C	FL.200	508	8.50	89	13	2	14	FL.197.50
HEINEKEN P	FL.190	204	4.90	6	8.50	—	—	"
HOOGOVENS C	Fl.50	725	3.50	298	5	26	6.50	Fl.48.80
HOOGOVENS P	FL.45	394	2.40	73	3.50A	—	—	"
KLM C	Fl.60	1385	1.80	286	3.20	37	4	Fl.56.40
KLM P	FL.50	697	0.90	128	1.80	105	3.50	"
NEDLLOYD P	FL.170	198	8	21	10.10	—	—	FL.178.50
NAT.NED. C	Fl.75	1236	5.90B	69	8.50	—	—	FL.79.70
NAT.NED. P	Fl.75	512	1.90	26	3	—	—	"
PHILIPS C	Fl.55	1027	2.60	479	4.10A	44	5.30A	Fl.54.80
PHILLIPS P	Fl.55	607	2.30	87	3.50	—	—	"
ROYAL DUTCH C	Fl.300	1382	6.10	218	13	28	17.50	FL.291
ROYAL DUTCH P	FL.290	226	10.20	5	13.50	7	15.50	"
ROBECO C	FL.110	3	4.20B	22	7	3	9.50	Fl.112.10
UNILEVER C	Fl.144	629	620	402	9.40	—	—	FL.141.90
UNILEVER P	Fl.132	216	140B	207	280B	—	—	"

TOTAL VOLUME IN CONTRACTS: 68,978

A=Ask B=Bid C=Call P=Put

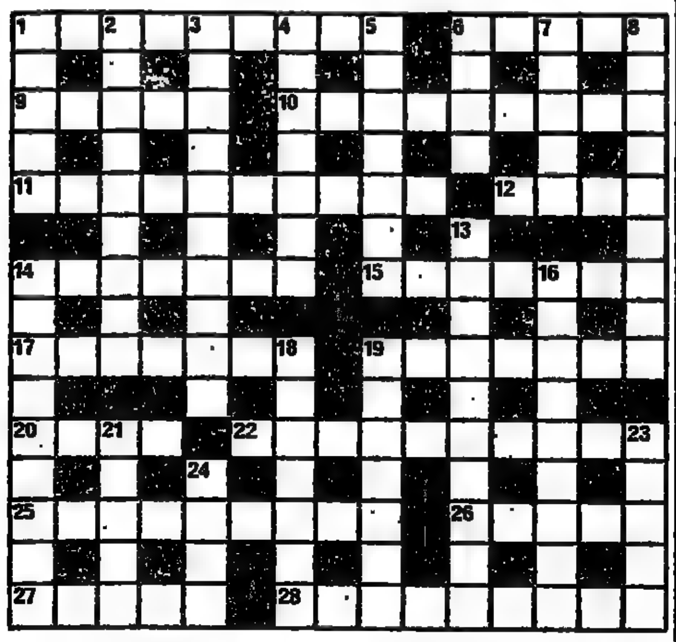
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	9	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	9	City Merchants Bank	10	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	10	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred.	10	Provincial Trust Ltd	10
Amro Bank	10	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	9	Equat'r'l TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec.	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	10	First Nat. Sec. Ltd	10	UDT Mortgage Exp	§10.4
Bank Credit & Comm.	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	10
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	10
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	10	Whiteaway Laidlaw	9½
Barclays Bank	10	● Hambros Bank	9	Yorkshire Bank	9
Beneficial Tst Ltd	10	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	10		
Cayzer Ltd	9	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Sanrising 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. § Mortgage base rate. † Demand deposit 3.99%. Mortgage 10.5%.

FT CROSSWORD PUZZLE No. 6,398

CINEPHILE



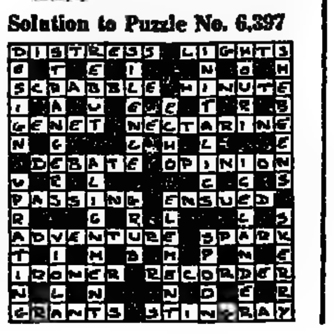
ACROSS

1 In a heavenly body, a vote cast for revenue (6,3)
6,9 Bird gets journalist in city to proven possession (5,5)
10 In a bad mood, something to do with clock coming from beam (5,4)
11 Fete with no entrance fee, in a way quite good (6,4)
12 Notes taken together constitutes a smear (4)
14 Clothes are shocking when re-admitted (7)
15 Benny gets words of approval (7)
17 In the theatre a clever but cloying thing (7)
19 French female follows American soldiers in ballet (7)
20 Macduff's pipe? (4)
22 Royal Navy ghost wandering on historic castle (10)
25 Pseudo-vocal piece has power thanks to peevishness (9)
26 Jane entertains compiler in nest (5)
27,28 Military force or otherwise, university sneering nastily (5,9)

DOWN

1,7 Sort of action that stops river, a nuisance (10)
2 Fruit dish may be pricy here (6,3)
3 Mother's row of houses for top people (6,4)
4 Diplomatic deed in rising German air? (7)
5 Go in pax, translated by Mr Deng (3,4)
6,7 Two experiments with international following (4,5)
8 Long-suffering points to confinement? (9)
13 Bird without experience of the Falklands (5,5)
14 Skilled workman may get little criticism, I fear (9)
16 Australian Prime Minister? (9)
18 Involve 10, possible, with drink (7)
19 Exclamation of satisfaction, not the curate's (4,3)
21,23,24 Costume affair? Well I never! Straighten delivery (5,5,4)

Solution to Puzzle No. 6,397



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	457.8	481.9		—
Property	281.9	296.7		—
Equity	594.6	625.9		—
Gilt Edged	360.1	379.0		—
Deposit	204.9	215.7		—
Investment	252.5	265.1		—
International	430.4	453.0		—

Pension Fund Prices

Managed Init.		330.5		—
Do. Accum.		405.4		—
Property Init.		244.4		—
Do. Accum.		299.7		—
Equity Init.		437.9		—
Do. Accum.		536.2		—
Gilt Edged Init.		227.4		—
Do. Accum.		278.8		—
Guaranteed Init.		158.2		—
Do. Accum.		194.1		—
International Init.		520.8		—
Do. Accum.		638.2		—
Index Lk. Gilt Init.		138.4		—
Do. Accum.		169.6		—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property		327.1	+0.2	—
Property Pens.		514.6	+0.1	—
Equity		204.5	+0.5	—
Equity Pens.		925.1	+4.6	—
Money Market		302.9	+1.7	—
Money Mkt. Pens.		544.0	+3.1	—
Deposit		237.5	+0.1	—
Deposit Pens.		378.5	+0.1	—
Managed		301.2	+0.4	—
Managed Pens.		581.0	+1.3	—
Intl. Equity		360.1	+0.7	—
Do. Pens.		585.3	+1.5	—
Inv. Managed		329.0	+0.8	—
Do. Pens.		489.6	+1.6	—
North American		137.2	+0.1	—
Do. Pens.		259.3	+0.1	—
Far East		307.6	+4.0	—
Do. Pens.		446.7	+5.7	—
Intnl. Currency		172.1	-2.1	—
Do. Pens.		223.7	-3.7	—
Index Linked		134.1	+0.6	—

National Provident Inst.—Contd.

Far East Initial	491.5	517.4	+7.5	—
Far East	588.3	619.3	+8.6	—
Prop. Initial	141.8	149.3	+0.4	—
Prop.	169.8	178.8	+0.5	—
Fixed Int. Initial	184.3	194.1	+0.4	—
Fixed Int.	220.9	232.6	-0.4	—
Indexed Gilt Initial	104.6	110.2	-0.2	—
Indexed Gilt	124.2	130.9	-0.1	—
Deposit Initial	134.9	142.0	+0.1	—
Deposit	163.2	171.8		—

NPI Pensions Management Ltd

Managed Fund	987.6	1005.2		—

Prices August 3. Next dealing September 1.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683966

NUAM Funds

Managed Fund	58.5	61.6		—
Stock Market Mngd Fund	60.4	63.6		—
Equity Fund	66.0	69.5		—
International Fund	56.2	59.2	+0.5	—
European Fund	58.9	62.0	+0.2	—
North American Fund	52.2	55.0	+0.3	—
Pacific Fund	63.5	66.9	+0.7	—
Property Fund	51.9	54.7		—
Fixed Interest Funds	49.0	51.6		—
Index Linked Sec. Fund	46.1	48.6		—
Deposit Fund	50.8	53.5		—

NUAM Retirement Plans

Mixed Fund	63.1	66.5		—
UK Ordinary Share	76.9	81.0		—
International Fund	57.9	61.0	+0.6	—
Property Fund	51.8	54.6		—
Fixed Interest Fund	50.8	53.5		—
Index Linked Sec. Fund	46.4	48.9		—
Deposit Fund	52.9	55.7	+0.1	—

NUAM (MF)

Managed Fund	803.2	845.4	-4.3	—
Equity Fund	1761.6	1854.4	-23.2	—
Property Fund	323.1	340.2		—
Fixed Interest Fund	360.6	379.6	-3.0	—
Deposit Fund	207.4	218.4		—
International Fund	145.9	153.6	-0.1	—
Index Linked Sec. Fund	46.2	48.7	+1.3	—

Norwich Union Life Insurance Soc.

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
101⅞	100 [illegible]	Treas. 12pc 1987	100¼	−[illegible]	11.96	9.89
99[illegible]	97[illegible]	Treas 7¾pc 1985-88‡‡	99[illegible]	−[illegible]	7.81	9.25
102¼	99[illegible]	Exch 10½pc '88	100[illegible]	−[illegible]	10.47	10.02
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	99[illegible]	−[illegible]	9.77	10.00
97[illegible]	93[illegible]	Transport 3pc '78-88	96[illegible]	−[illegible]	3.10	6.69
101[illegible]	98[illegible]	Treas. 9½pc '88	99¼	−[illegible]	9.57	10.11
105[illegible]	101[illegible]	Treas 11½pc 1989	101[illegible]xd	−[illegible]	11.29	10.09
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	98[illegible]	−[illegible]	9.60	10.14
94[illegible]	89¼	Treas 3pc 1989	93[illegible]	−[illegible]	3.21	6.99
104[illegible]	99[illegible]	Treas 10½pc 1989	100[illegible]	−[illegible]	10.44	10.12
103[illegible]	98½	Exch.10pc 1989	99[illegible]	−[illegible]	10.03	10.12
105¾	100⅝	Exch 11pc 1989	101[illegible]	−[illegible]	10.84	10.17
95[illegible]	89[illegible]	Treas 5pc 1986-89	93¾	−[illegible]	5.32	7.98
108[illegible]	100¼	Exch 10¼pcCv '89	100¼	−1¼	10.22	10.04
111[illegible]	105⅝	Treas 13pc 1990‡‡	106[illegible]	−1[illegible]	12.12	9.55
106½	100[illegible]	Exch 11pc 1990‡‡	101¾xd	−1¼	10.68	9.59
110[illegible]	104[illegible]	Exch. 12¼pc 1990	105[illegible]	−1¼	11.76	9.69
91[illegible]	84½	Treas. 3pc 1990	89½	−[illegible]	3.33	6.97
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	97[illegible]	−[illegible]	8.44	9.15
105	97½	Treas. 10pcCv 1990	99[illegible]	−1[illegible]	9.93	9.71
89[illegible]	81[illegible]	Exch 2½pc 1990	87	−[illegible]	2.85	6.65
110½	103¼	Treas 11¾pc 1991	104[illegible]	−1[illegible]	11.11	9.70
95[illegible]	87¼	Funding 5¾pc '87-91‡‡	90[illegible]	−[illegible]	6.25	8.32
89[illegible]	80¼	Treas. 3pc 1991	85[illegible]	−[illegible]	3.46	7.04
110¼	100[illegible]	Treas 10pc Cv '91 ‡‡	100[illegible]	−1¼	9.80	9.34
109[illegible]	101¼	Exch. 11pc 1991	102[illegible]	−1[illegible]	10.55	9.72
18[illegible]	15¼	Treas. 8pc 1991 (£20pd)●	15¼	−1[illegible]	8.23	8.78
116[illegible]	108[illegible]	Treas 12¾pc 1992‡‡	109[illegible]	−1½	11.52	9.71
106[illegible]	97[illegible]	Treas 10pc 1992	99[illegible]xd	−1½	9.89	9.69
99½	92[illegible]	Treas. 8pc 1992 ‡‡	92[illegible]	−1[illegible]	8.15	8.47
108[illegible]	99[illegible]	Treas 10½pc Cv 1992‡‡	101½	−1[illegible]	10.21	9.71
89⅝	84	Treas. 3pc 1992	84	−1[illegible]	3.50	6.46
		Five to Fifteen Years				
115⅞	106½	Exch. 12¼pc '92	108xd	−1[illegible]	11.17	9.78
121[illegible]	111¾	Exch 13½pc 1992	112½	−1[illegible]	11.83	9.88
107[illegible]	97[illegible]	Treas 10pc 1993‡‡	99[illegible]	−1¼	9.92	9.78
118[illegible]	108[illegible]	Treas 12½pc 1993‡‡	109[illegible]	−1[illegible]	11.21	9.87
95¾	82¼	Funding 6pc 1993‡‡	87[illegible]	−1[illegible]	6.88	8.73

BRITISH FUNDS—Contd

1987 High	1987 Low	Stock	(b)	Price £	+ or −	Yield (1)	Yield (2)
		Index-Linked					
131[illegible]	125½	Treas. 2pc '88	(297.1)	131[illegible]	−[illegible]	—	2.57
117¼	108[illegible]	Do. 2pc '90	(333.9)	116[illegible]	−[illegible]	0.73	2.38
99[illegible]	93½	Do. 2pc '92‡‡	(385.8)	97¼	−[illegible]	2.27	2.98
128[illegible]	119[illegible]	Do. 2pc '96	(267.9)	126¼	−[illegible]	3.35	3.87
111¼	101[illegible]	Do 2½pc '01	(308.8)	104[illegible]	−1[illegible]	3.56	4.17
110	100¼	Do. 2½pc '03	(310.7)	102[illegible]	−1[illegible]	3.51	4.12
113[illegible]	103[illegible]	Do. 2pc '06	(274.1)	104[illegible]	−1[illegible]	3.57	4.03
108	98⅝	Do. 2½pc '09	(310.7)	99½	−1[illegible]	3.52	3.95
113[illegible]	103[illegible]	Do. 2½pc '11	(294.1)	104[illegible]xd	−1[illegible]	3.64	3.90
95[illegible]	86[illegible]	Do. 2½pc '13	(351.9)	86[illegible]xd	−1[illegible]	3.57	3.85
103[illegible]	94	Do. 2½pc '16	(322.0)	94[illegible]	−1[illegible]	3.37	3.77
101[illegible]	91[illegible]	Do. 2½pc '20	(327.3)	92[illegible]	−1[illegible]	3.40	3.69
86[illegible]	77¼	Do. 2½pc '24 ‡‡	(385.3)	78[illegible]	−1[illegible]	3.35	3.61

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for November 1986: 391.70 and for June 1987: 101.9 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	1987 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
113[illegible]	99¼	African Dv Bk 11¼Ln 2010	100¼xd	−2¼	11.10	11.06
109[illegible]	95	Asian Dev Bk 10¼pcLn2009	96⅝	−2¼	10.61	10.64
136	118¾	Australia 13½pc 2010	121⅝	−3¼	11.10	10.90
118[illegible]	102¼	Do. 11¼pcLn2015	104¾	−3	10.90	10.85
115[illegible]	102¼	Euro Inv Bk 11pc Ln 2002	103¼	−2⅛	10.65	10.55
110¼	97½	Do. 10¾pc2004	98⅝	−2¼	10.55	10.55
126½	112[illegible]	Int-Am Dev Bk 12½pc 2003	113¼xd	−2⅛	11.04	10.71
104[illegible]	90¾	Do. 9¾pcLn 2015	91[illegible]	−2¼	10.61	10.66
97¼	83	Mlysia 10¼pcLn 2009	88[illegible]xd	−2¼	12.10	12.19

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30[illegible]	22[illegible]	Sara Lee $1	28[illegible]		$1.30	—	2.2
11[illegible]	8[illegible]	Saul (B. F.) $1	10[illegible]		20c	—	1.2
26¾	19[illegible]	Southwestern Bell $1	24¾	+½	h$2.32	—	5.7
18½	13[illegible]	Staley Continental	18½	+[illegible]	80c	—	2.7
44[illegible]	36[illegible]	Sun Co. Inc. $1	40[illegible]	−[illegible]	$3.00	—	4.5
38¾	28½	TRW Inc. $0.625	38¼	+[illegible]	h$1.60	—	—
34[illegible]	25[illegible]	Tenneco $5	34[illegible]	+[illegible]	$3.04	—	5.5
197½	149½	Do. 10pc Ln Stk. 91-5	197½		10%	—	5.1
29¾	17[illegible]	Texaco $6.25	29	−⅛	$3.00	—	6.3
71⅛	47⅛	Time Inc. $1	70	+⅛	$1.00	—	0.9
14½	11	Tracor $0.33	12[illegible]	+⅛	40c	—	1.9
27½	18[illegible]	Transamerica $1	27[illegible]	+[illegible]	$1.76	—	4.0
13⅝	[illegible]	Transamerica Corp $5	13⅝	+⅛	20c	—	0.9
46⅞	29¼	TRINOVA Corp	46½	+⅛	h$1.00	—	1.5
24[illegible]	15[illegible]	USX $1	23[illegible]	−[illegible]	$1.20	—	3.1
19⅝	15[illegible]	Union Carbide $1	17[illegible]	+[illegible]	$1.50	—	5.2
36⅞	26[illegible]	Utd. Technologies	36[illegible]	+⅛	$1.40	—	2.4
38¾	27	US West	33½	+⅛	$3.28	—	6.0
29½	17⅛	Waste Management $1	28[illegible]	−½	—	—	—
£31⅛	£20½	Whirlpool $10	£22⅛	+⅛	—	—	—
36⅞	26	Woolworth $3½	35⅛	+⅛	$1.32	—	2.3

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21½	10p	Abbot Energy Corp	21½		—	—	—
14½	506p	Amer. Barrick Res.	14c	−½	—	—	—
122p	52p	Armeno	101p	−3	—	—	—
19[illegible]	14[illegible]	Bk. Montreal	16[illegible]	+⅛	$2.00	—	5.6
10[illegible]	745p	Bk. Nova Scot.	877p	+17	72c	—	3.8
20[illegible]	18	BCE	19½	+⅛	$2.40	—	5.7
10[illegible]	712p	Bow Valley	973p	−18	40c	—	1.9
20	12[illegible]	Brascan	20	+⅛	88c	—	2.0
60[illegible]	277p	Breakwater Res.	467p	−35	—	—	—

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES—Continued

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
140	84	Anglo-Dominion	105	–3	—	—	—
90	21	♥Colby Res Corp	50	–3	—	—	—
•300	127	Cons. Murch. 10c	288xd	...	Q60c	4.4	6.5
•70½	37½	♦Ennex Int. Ir10p	64	–1	—	—	—
402	151	Greenwich Res	383	–7	—	—	—
£13½	963	Hemlo Gold Mines	£13½	...	—	—	—
355	189	♥Highwood Res	341	–5	—	—	—
£28⅝	£16⅞	Homestake Mining $1	£27⅝	–¼	Q20c	—	0.4
455	150	♥McFinley Red Lake	455	+1	—	—	—
166	86	♥Murto Explorations	110	...	—	—	—
160	37½	♥New Sabina Res C$1	158	–2	—	—	—
598	200	Northgate C$1	569	–29	—	—	—
237	104	Nor-Quest Resources	160	...	—	—	—
£14½	698	RTZ	£13¼	–⅛	23.5	2.7	2.5
£399¼	£113¼	Do. 9½pcLn '95-2000	£269	–9	Q9½%	37.5	3.6

THIRD MARKET

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
485	180	Abelson Group 10p	415	–20	3.5	2.7	1.2	44.6
45	28	Aberdeen Am Pet 10p	42	–1	—	—	—	—
125	110	Allied Ins. Brokers	120	...	13.5	2.5	4.1	13.9
83	70	Amercoeur Energy 10p	70	...	—	—	—	—
111	93	Andaman Res. 10p	105	–3	—	—	—	—
46	9	Ardmore Pet. 'A'	20	–3	—	—	—	—
98	45	Catalyst Comms. 5p	85	–1	—	—	—	35.3
200	163	Chelsea Artisans 5p	168	...	—	—	—	22.5
180	155	Comac Group 5p	158	...	—	—	—	—
151	47	Corton Beach 10p	118		0.4	♦	0.5	♦
200	150	Crown Eyeglass 5p	198	–2	—	—	—	—
285	102	Edensprng Investment	235	–5	—	—	—	—
•62	18	Eglinton Oil Ir.5p	31	+1	—	—	—	—
41	17	Do. Warrants	20	...	—	—	—	—
186	101	Far East Res. 10p	170	–1	—	—	—	—
82	17	Publishing Hldgs.5p	67	–3	—	—	—	38.8
7650	45½	Theme Holdings	65	–5	1.0	♦	—	♦
140	111	Unit Group	140d	...	R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- d Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish Stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	90	–1	Fin. 13% 97/02	£105⅝	.....
Craig & Rose £1	£20¼	.....	Arnotts	375	.....
Finlay Pkg. 5p	118	–5	CPI Hldgs	85	.....
Holt (Jos) 25p	1003	.....	Carrol Inds.	156	–4
IoM Stm. £1	146	.....	Dublin Gas	18	.....
			Hall (R. & H.)	140	.....
IRISH			Heiton Hldgs.	48	.....
Fund 11¼% 1988	£100¼	–⅛	Irish Ropes	195	.....
Nat. 9¾% 84/89	£97⅞	–⅛	Unidare	430	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	29	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	120
Legal & Gen.	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds	62		
Marks & Spencer	22	Cons Gold	95
Midland Bk	55	Lonrho	26
Morgan Grenfell	35	Rio T Zinc	90

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
July 27	Aug 6	Aug 7	Aug 17
Aug 10	Aug 20	Aug 21	Sept 1
Aug 24	Sept 10	Sept 11	Sept 21

* New time dealings may take place from 9.00 am two business days earlier.

Heavy losses in equities and Government bonds follow Bank's move on rates

The UK securities markets suffered one of the heaviest daily falls of recent years yesterday as the City of London was badly shaken by the Bank of England's decision to raise its money market rate by a full 1 per cent. The Bank's move caught the markets completely by surprise, driving UK Government bonds down by more than 2½ points and reversing an early gain in equities, which lost more than £7.3bn in value within an hour of the official announcement.

The FT-SE 100 index, 16 points up in early trading, plunged to a net loss of 70 points on the Bank's announcement, which was quickly followed by one point hikes in base lending rates by the major UK banks.

At 2,261.4 the FTSE 100 index closed 56 points down, its largest daily fall on record. However, in percentage terms the day's loss on major indices was less than one half of that of March 1 1974, when the market reacted to the first global oil crisis and the secondary banking crash in the UK. The FT Ordinary Index then fell 7.1 per cent.

The City's worry was not merely that the sharp rise in domestic rates will hurt manufacturing and financial services businesses, but that it heightens concern ahead of next week when the UK trade figures for June are due.

At Chase Manhattan, Amanda Sells, investment strategist, saw equities plunging to the 2,200 FT-SE mark, and some analysts were even more bearish.

Equities opened firmly, helped both by Wall Street's overnight firmness and by a slackening in tensions over the situation in the Middle East.

Kleinwort Grieveson Securities, reversing its earlier stance, told clients to "definitely defer purchases of oil shares," in view of the possible ramifications for the Opec accord of any clash between Saudi Arabia and Iran. By the end of the day, **British Petroleum** and **Shell** looked very weak.

There were losses in the bank stocks, although these now take "a neutral view of interest rate moves," according to Michael Howell of Salomon Inc. Insurance and properties, however, took hefty falls.

Savage falls were suffered by most privatisation issues, on significantly increased selling, as the market braced itself for the cash calls due next month. **British Gas**, **British Telecom**, and **British Aerospace**, all fell sharply.

The Government bond sector felt particularly agrieved because the Bank move came after it had cut its short tap stock price on the previous day. The sector opened well, and was drifting off on a lack of buying interest when the Base rate move came.

Retail interest was very thin, but there was no recovery as prices plunged. Long gilds were within a whisker of 10 per cent by the close. Little recovery is expected in Gilts before Tuesday and the June trade figures.

The higher yields on bonds will render equities yet more vulnerable, commented one bond market analyst.

Financial issues sustained widespread losses following the unexpected return of dearer money trends. **Midland** were most active of the four main clearers with 6.1m shares traded but the relatively modest fall of 10 to 625p was indicative of continuing underlying support. Market-makers dismissed revived stories of a major stake-building exercise, suggesting that any aggressive buyer could find better opportunities when the shares are quoted ex the rights issue. This is scheduled for Tuesday. **Lloyds** recorded the heaviest loss, closing 14 down at 357p, while **NatWest** were only a shade easier at 705p reflecting comment on the acquisition of First Jersey National.

Discount Houses were hit by the weakness of Gilt-edged stocks and several registered falls of around 30. **Carter Allen** lost 33 to 390p and **Gerrard and National** 24 to 346p. Insurances similarly fell back as their portfolio values decreased. Composites were affected most with **Royal** losing 21 to 533p, **General Accident** 40 to 985p and **mercial Union** 13 to 352p. Among Life issues, **Abbey Life** gave up 8 at 297p but **Pearl** were supported by a resurgence of bid speculation and hardened to 382p.

Building shares, one of the more sensitive areas to interest rate movements, recorded widespread and substantial losses. **Blue Circle** dipped 26 to 473p, while among the construction and contracting issues, **Costain**, bought recently on Consolidated Gold Field bid hopes, were particularly depressed at 351p, down 30. **Tarmac** reacted 17 to 294p, while **Barratt Developments** fell 10 to 203p and **John Laing** 20 to 370p.

The interim figures and capital proposals from **Hickson International** were well received and the shares closed 10 to the good at 824p.

Early proceedings among Stores again centred on **Storehouse** which improved to 387p at one stage as investors anticipated bid news in the near future: subsequent developments, however, served to evaporate takeover enthusiasm totally and Strehouse, in which another 9.3m changed hands, finally stied a net 3 up at 373p. **Woolworth**, now regarded as the prime candidate to bid for Sir Terence Conran's retail empire, fell 22 to 356p. Adverse comment proved to be an additional burden for **Harris Queensway**, 12 lower at 199p, while *Burton* fell 4 to 304p despite an encouraging note from BZW.

FINANCIAL TIMES STOCK INDICES

	Aug. 6	Aug. 5	Aug. 4	Aug. 3	July 31	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	86.42	87.70	87.44	87.32	87.66	88.86	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.49	96.24	96.38	96.34	96.36	95.76	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1754.1	1796.6	1788.6	1815.1	1852.5	1221.5	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	468.5	480.7	497.5	489.6	472.8	194.3	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.30	3.23	3.22	3.17	3.12	4.50				
Earnings Yld.%(full)	8.18	8.01	7.92	7.82	7.68	10.91				
P/E Ratio (net) (*)	14.99	15.31	15.52	15.73	16.00	11.18				
SEAQ Bargains (5 pm)	48,611	41,924	53,664	60,382	48,563	—				
Equity Turnover (£m)	—	1890.08	2005.51†	1661.06	1865.73	544.67				
Equity Bargains	—	54,999	66,532	69,841	59,167	20,894				
Shares Traded (ml)	—	582.0	706.1	755.6	755.8	271.8				

S.E. ACTIVITY

Indices	Aug. 5	Aug. 4
Gilt Edged Bargains	132.4	131.9
Equity Bargains	356.4	431.1
Equity Value	3820.3	4053.7†
5-Day Average		
Gilt Edged Bargains	126.9	123.9
Equity Bargains	408.4	427.7
Equity Value	3864.5	3457.3†

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1808.7	1807.2	1805.1	1798.2	1767.5	1751.6	1751.8	1751.4

Day's High 1814.3 Day's Low 1744.6. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=14.722 † Corrected figs.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Selected secondary Stores managed to evade the general air of despondency. USM-quoted **John Kent** spurted 13 to 118p following an agreed £14.4m offer from Redeveo. **Bremner** advanced 16 to 116p as chairman Mr James Rowland-Jones claimed victory in his long-running dispute with Mr Andrew Greystoke: the latter's City and Westminster Financial, acting through its Malaga Investments subsidiary, has sold its near-22 per cent stake in Bremner. The 2.44m shares were placed with clients of Carswell, the Glasgow-based stockbroker recently acquired by Bremner.

Amstrad led the retreat in the Electrical sector. A bearish security house view of the group's prospects, although refuted by a company spokesman, touched off considerable selling. Marketmakers tried not to get involved and the outcome was a sharp reaction of 11 to 155p, after 150p. **STC** also weakened as traders backed away from nervous sales and close was 16 down at 276p; before Monday's interim figures the price was 317p. **GEC** slipped 6½ to 216p and **Cable & Wireless** were similarly lower at 411p. **BT** enjoyed aggressive foreign support and rose to 282p before settling a net 3 off at 276p. Elsewhere, **Crystalate** dropped 15 to 268p and **Telephone Rentals** 22 to 244p but sporadic demand lifted **Burgess** 10 to 316p. A Morgan Grenfell "buy" recommendation encouraged inquiries for **Unitech**, at 301p.

Press Tools, up 205 at 445p, in the wake of news that Mr G. Hutchings of F. H. Tomkins had acquired a stake of 32.7 per cent in the company provided one of the few major upward features of the day. Mr Hutchings plans to turn Press Tools into an acquisitive holding company. Others to resist the trend in the Engineering sector included **TI**, which gained 4 to 380p in response to satisfactory interim figures, and **Westland**, up 9 at 144p following confirmation of the Canadian order for anti-submarine helicopters.

Sentiment among Food Retailers, usually one of the sectors hardest hit by any threat to consumer spending, remained remarkably firm. **Dee Corporation**, 223p, and **Tesco**, 182p, shed a relatively modest 4 and 7 respectively, while **Argyll Group**, the subject of a "buy" recommendation from BZW put on 2 to 422p. **ASDA-MFI** were also 2 dearer, at 195p, as Wood Mackenzie, the securities house, rated the shares as a "buy," anticipating proceeds of at least £750m from the impending series of asset disposals which will effectively leave Asda as a pure retailer. A bright feature was provided by **Bernard Matthews** which touched 179p before settling 9 to the good on balance at 170p in response to the proposed move into the US via a licensing deal with Sara Lee, a Chicago-based processed meat producer; BZW rave upgraded their forecast for Matthews to £16.8m.

Almost inevitably, Hotels and Breweries displayed some of the session's largest falls. **Grand Metropolitan**, 535p, **Trusthouse Forte**, 249½, and **Ladbroke**, 434p all showed losses well into double figures. **Scottish and Newcastle**, supported of late reflecting expansion hopes, dipped 8 to 244p despite revived speculation of an impending bid approach from Mr John Elliott. **Allied-Lyons**, 19 off at 407p, and **Bass**, 25 cheaper at 913p, also proved to be friendless.

Hanson Trust managed to resist the trend in the wake of its bid for the US industrial group Kidde and closed only a shade lower at 134½p after an active day's trading; some 28m shares changed hands. Double figure losses were commonplace in the other miscellaneous industrial leaders. **Beecham** inclined firmer initially, fell back sharply to close 23 lower at 544p. **Trafalgar House** gave up 14 at 377p and **Boots** fell 12 to 292p.

British Airways picked up a few pence to 143p following news that the proposed merger with British Caledonian Group had been referred to the Monopolies and Mergers Commission. Elsewhere, USM quoted **Technology for Business** provided a late bright spot, jumping 41 to 190p on the agreed share exchange offer from Combined Lease Finance. In contrast, renewed selling left recent high-flyer **Oakwood** down 70 more at 718p. **Blue Arrow** weakened afresh to 840p, down 33, this compares with the 830p at which share will be offered under the rights issue which is conditional on the success of its bid for Manpower.

An understandably depressed Leisure sector still managed to provide a firm spot in **Rex Williams**; dealings in the shares resumed following Wednesday's deal with Messrs Warren and Botros and touched 63p before closing at 61p, a net gain of 9.

Newspaper losses ranged to 18 in **Associated**, 605p. **BPCC** went higher initially amid growing speculation that the group was about to pounce on Dutch publisher Elsevier. Earlier this week, the latter was narrowly defeated in a hostile takeover battle for rival house Kluwer. BPCC announced later that it had acquired a stake of 8.6 per cent in Elsevier, trading in which was suspended in Amsterdam, and the price of BPCC share drifted back from 355p to settle 7 cheaper on the day at 335p. **Ault and Wiberg** rose 20 to 420p and **Brunning** picked up 7 at 265p but the failure of the rights issue, 65 per cent was left with the underwriters, left **WPP** 45 down at 820p.

The effects of increased borrowing costs were particularly noticeable in the Property sector. A fresh spate of nervous selling left a strong of heavy falls ranging to 26 in the case of **British Land**, the current market favourite, at 303p. **Land Securities** dropped 19 to 536p and **MEPC** shed 17 to 507p, while **Laing** dipped 15 to 435p. Prominent secondary and speculative issues also tumbled with **Parkdale** losing 24 to 176p and **Randsworth Trust** 14 to 241p. An optimistic half-yearly statement gave **Dares Estates** a flip higher before the shares became embroiled in the general market weakness and closed a net penny off at 66p.

Oil shares failed to escape the general malaise with buying enthusiasm also being dampened by easier crude prices. **British Petroleum** dipped 18 to 384p, while falls of around 25 were marked against **Enterprise**, 313½, and **Britoil**, 324p.

Elsewhere in energy stocks, **British Gas** were actively traded (around 22m shares changed hands) before settling 9 cheaper at 174p.

Currency factors brought a heavy loss in gold mining issues yesterday although selling was not heavy—at least among the South African producer issues. **Consolidated Gold Fields** and **RTZ** both collapsed with the UK equity market, hard hit by the Bank of England's hike in interest rates which bears down hard on the speculative holders of shares who have provided much of the thrust behind the share price gains of the past months. The FT Gold Mines Index, at 468.5, lost 12.2.

Traded options

Traded options were obvious beneficiaries of the shake-out in London equities. Total contracts struck amounted to 64,206—the highest for around two weeks. The FT-SE index was again subject to sizeable hedging operations and attracted 4,050 calls, almost a quarter of which were done in the September 2,400s, and 5,896 puts where the August 2,250 and 2,200 series were popular. British Telecom, in receipt of overseas support, were extremely lively with 6,208 calls and 5,059 puts transacted.

Traditional Options

- First dealings July 20
- Last dealings July 31
- Last declaration Oct 22
- For Settlement Nov 2

For rate indications see end of London Share Service

Stocks dealt in for the call included Eagle Trust, Amstrad, ASDA-MFI, GM Firth, Control Securities, Neil and Spencer, Amber Day, Humberside, Cresta Holdings, Oxford Instruments, Ferranti, Boots, Harris Queensway, Bunzl, Epicure, Willis Faber, Charles Baynes, Kalon, Elswick, Sheraton Securities, Property Trust, Dares Estates, Inoco, William Morrison Supermarkets, Hardanger, Rotaprint, Abaco, Barratt Developments, Greenwich Resources, Hawthorn Leslie, British Airways, Rolls-Royce, Stormguard, Benjamin Priest, Unigate, Storehouse, GEC, and Central and Sheerwood. Puts were arranged in Black's Leisure and Control Securities, while a double option was transacted in Polly Peck.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (76)

AMERICANS (12), CANADIANS (4), BUILDINGS (1), CHEMICALS (3), STORES (2), ELECTRICALS (6), ENGINEERING (4), FOODS (2), INDUSTRIALS (7), INSURANCE (1), LEISURE (1), MOTORS (2), NEWSPAPERS (1), PAPERS (2), SHIPPING (1), SOUTH AFRICANS (2), TRUSTS (12), OILS (2), MINES (11).

NEW LOWS (20)

BRITISH FUNDS (8), Treas. 12pc 1987, Treas. 8pc 1991 (£20pd), Treas. 8pc 1992, Treas. 3pc 1992, Treas. 8¾pc 2000 (£30pd), Exch. 9pc 2002, Treas. 9pc 2008, Conv. 9pc Ln 2011, LOANS (4), N'wide 9⅞pc 11.4.88, Do. 8¾pc 23.5.88, Do. 8⅞pc 20.6.88, Do. 3⅞ IL Ln 2021, BANKS (1), Cie B'cre, STORES (1), Dixons Div Cm Pf, ELECTRICALS (2), Admiral Computing, Oxford Instruments, TRUSTS (4), German Smaller Invs, River & Merc., Do. Stepped Pref., Hambros Adv Tech Tst.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	20,000	195	+2	Jaguar	1,100	566	−4
Allied Lyons	5,850	407	−19	Ladbroke	2,800	434	−18
Amstrad	10,000	155	−11	Land Securities	2,900	536	−19
Argyll Group	2,000	422	+2	Legal & Gen.	2,400	317	−6
Assoc. Brit. Foods	806	364	−12	Lloyds Bank	3,200	357	−14
BAT	2,400	618	−9	Lonrho	2,800	307½	−4½
BET	2,600	282½	−7½	MEPC	2,900	507	−17
BOC	1,100	503	−18	Marks & Spencer	4,700	234	−8
BPB Inds.	728	382	−13	Midland Bank	6,100	625	−10
BPCC	5,100	335	−7	NatWest Bank	3,400	705	−5
BTR	3,500	315	−12	Next	737	333	−6
Barclays	2,000	589	−6	Pearson	1,900	785	−11
Bass	492	913	−25	P & O	1,100	693	−6
Beecham	8,300	544	−23	Pilkington Bros	1,100	933	−30
Blue Circle	1,100	473	−26	Plessey	4,500	199½	−4½
Boots	7,700	292	−12	Prudential	639	£10½	−0⅛
Brit. Airways	8,100	143	+3	Racal	5,800	274	−4
Brit. Aero	2,200	502½	−24½	Rank Org.	402	725	−14
Brit. & Comm.	1,100	519	−2	RHM	771	325	−1
British Gas	22,000	174	−9	Reckitt & Col	331	£10⅝	—
Britoil	18,000	324	−23	Redland	1,900	519	−5
BP	9,500	384	−18	Reed Intl.	2,300	506	−28
Brit. Telecom	29,000	276	−3	Reuters	1,100	855	−1
Bunzl	493	248	−8	RMC	269	495	−10
Burton	2,100	304	−4	RTZ	2,300	£13⅛	−0⅜
Cable & Wire	3,000	411	−7	Rolls-Royce	6,700	113	−5
Cadbury Schwps	2,100	299	−7	Rowntree	1,100	553	−12
Coats Viyella	763	337	−16	Ryl Bank Scotland	1,100	380	−4
Comm. Union	3,800	352	−13	Royal Insurance	3,900	533	−21
Cons. Gold	1,700	£14⅛	−0⅛	STC	7,900	276	−16
Cookson	953	744	−3	Saatchi & Saatchi	677	629	−21
Courtaulds	1,500	465	−10	Sainsbury	3,100	273	−8
Dee Corpn	9,000	223	−4	Scott & Newcastle	1,300	244	−8
Dixons Group	1,200	350	−6	Sears	3,500	166½	−7
English China Clays	769	498	−8½	Sedgwick	1,600	307	−18
Fisons	1,900	325	−12	Shell Trans	1,600	£14⅛	−0⅛
Gen. Accident	392	985	−40	Smith & Nephew	1,600	173½	−5½
Gen. Elect	7,600	216	−6½	Standard Chart	437	783	−10
Glaxo	2,500	£17⅛	−0⅛	Storehouse	9,300	373	+3
Globe Investment	135	179	−2	Sun Alliance	610	£10⅛	—
Granada	1,000	332	−6	TSB	3,900	84	−1½
Grand Met	5,500	535	−15	Tarmac	3,300	294	−17
GUS "A"	357	£13⅛	—	Tesco	1,900	182	−7
Guardian R.E.	382	969	−30	Thorn EMI	895	683	−18
GKN	4,900	399	+2	Trafalgar House	2,300	377	−14
Guinness	5,500	332	−8	T'house Forte	4,100	249½	−10
Hammerson	1,000	583	−10	Unigate	584	368	−12
Hanson Trust	28,000	134	−0½	Unilever	1,500	659	−8
Hawker Sidd.	1,300	559	−2	United Biscuits	1,300	315	−2½
Hillsdown Hldgs.	2,800	306	−7	Wellcome	2,300	461	−17
ICI	2,600	£15⅛	−0⅜	Whitbread "A"	1,500	340	−12
				Woolworth	5,800	356	−22

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	113	0
Corporations, Dominion and Foreign Bonds	9	37	11
Industrials	214	997	358
Financial and Properties	57	402	138
Oils	12	70	33
Plantations	0	3	11
Mines	28	100	62
Others	99	88	69
Totals	419	1,810	682

FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Thursday August 6 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed August 5 Index No.	Tues August 4 Index No.	Mon August 3 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	946.71	−2.5	7.37	2.89	16.97	12.60	971.45	970.18	988.43	672.05
2	Building Materials (30)	1220.69	−3.3	7.30	2.81	17.06	15.55	1262.60	1259.88	1288.70	763.57
3	Contracting, Construction (33)	1744.52	−3.0	6.90	2.75	19.39	19.38	1799.25	1804.39	1836.59	1176.58
4	Electricals (12)	2434.14	−2.7	6.07	3.15	21.26	36.50	2502.23	2509.58	2596.70	1744.40
5	Electronics (35)	1986.38	−3.0	8.06	2.51	16.03	27.83	2048.15	2034.62	2072.84	1527.27
6	Mechanical Engineering (60)	511.74	−1.7	7.88	3.32	15.93	8.01	520.41	521.29	530.31	373.44
8	Metals and Metal Forming (7)	555.48	−1.8	7.00	2.83	17.24	6.86	565.61	569.52	580.76	326.08
9	Motors (14)	383.77	−0.6	8.66	2.84	13.24	3.42	386.10	385.22	391.39	272.26
10	Other Industrial Materials (21)	1575.52	−2.5	6.09	3.09	19.79	22.53	1616.73	1614.97	1637.94	1200.50
21	CONSUMER GROUP (183)	1291.60	−2.3	6.11	2.63	21.01	14.82	1322.33	1318.76	1342.05	873.50
22	Brewers and Distillers (22)	1150.54	−2.9	8.08	3.10	15.64	13.24	1184.33	1192.46	1208.84	879.13
25	Food Manufacturing (24)	1004.50	−1.5	6.97	3.04	18.62	15.17	1020.10	1011.49	1028.95	657.77
26	Food Retailing (16)	2420.24	−1.8	5.36	2.40	25.43	25.07	2464.26	2470.21	2527.24	1755.35
27	Health and Household Goods (10)	2475.88	−2.2	4.08	1.62	28.61	15.15	2531.19	2495.85	2526.06	1467.76
29	Leisure (31)	1354.34	−2.7	6.17	3.21	21.01	20.69	1392.53	1380.65	1403.24	884.40
31	Packaging & Paper (15)	683.46	−2.8	5.98	2.54	22.15	7.88	702.98	710.45	721.14	445.52
32	Publishing & Printing (13)	4332.00	−3.2	4.79	3.28	26.80	59.63	4475.55	4501.57	4546.27	2421.69
34	Stores (36)	1065.71	−2.4	6.67	2.71	20.37	12.81	1091.83	1095.18	1125.35	824.69
35	Textiles (16)	794.74	−2.7	7.80	2.82	14.87	11.71	816.95	805.05	813.93	505.66
40	OTHER GROUPS (88)	1118.21	−1.3	7.75	3.15	16.13	11.45	1133.51	1125.27	1137.45	734.88
41	Agencies (16)	1673.25	−1.3	4.18	1.44	31.52	10.01	1694.74	1691.79	1727.15	0.0
42	Chemicals (22)	1421.11	−2.1	6.93	3.21	17.64	21.83	1450.90	1439.41	1457.63	908.36
43	Conglomerates (12)	1454.62	−1.1	7.30	3.16	15.70	18.93	1470.65	1456.86	1473.15	0.0
45	Shipping and Transport (12)	2281.18	−0.5	7.05	3.49	18.88	37.76	2293.78	2301.74	2341.49	1426.16
47	Telephone Networks (2)	1086.09	−1.2	9.34	3.72	14.28	2.95	1099.25	1085.56	1091.36	760.15
48	Miscellaneous (24)	1578.92	−1.5	8.80	2.81	13.63	18.99	1602.56	1594.59	1607.73	994.78
49	INDUSTRIAL GROUP (483)	1169.92	−2.1	6.89	2.84	18.36	13.57	1195.19	1190.90	1210.07	795.22
51	Oil & Gas (17)	2330.09	−3.6	4.69	3.98	27.59	44.63	2416.16	2435.59	2420.71	1222.56
59	500 SHARE INDEX (500)	1268.39	−2.3	6.55	3.02	19.37	16.27	1298.83	1296.54	1312.83	832.21
61	FINANCIAL GROUP (119)	807.59	−2.0	—	3.67	—	14.01	824.35	816.28	829.00	574.92
62	Banks (8)	812.07	−1.5	17.06	4.75	7.75	17.82	824.10	816.17	820.81	608.49
65	Insurance (Life) (9)	1098.45	−1.6	—	3.83	—	20.71	1115.99	1092.24	1120.37	814.46
66	Insurance (Composite) (7)	606.82	−2.8	—	4.03	—	11.76	624.09	610.72	621.24	459.74
67	Insurance (Brokers) (9)	1272.90	−3.3	9.30	4.38	13.78	26.32	1316.03	1309.25	1334.56	1170.99
68	Merchant Banks (11)	477.88	−0.5	—	2.83	—	6.88	480.31	479.36	485.15	323.07
69	Property (47)	1212.63	−3.4	3.94	2.44	32.80	12.29	1254.76	1248.55	1271.81	760.38
70	Other Financial (28)	564.39	−0.9	5.87	2.70	21.56	7.44	569.28	571.73	584.59	329.86
71	Investment Trusts (91)	1110.26	−1.2	—	2.17	—	11.46	1123.23	1114.68	1121.88	741.40
81	Mining Finance (2)	671.05	−1.8	5.03	2.48	22.83	6.79	683.36	711.77	727.93	246.35
91	Overseas Traders (10)	1178.55	−0.7	7.73	3.99	15.36	23.33	1187.05	1186.53	1201.39	618.37
99	ALL-SHARE INDEX (722)	1149.91	−2.2	—	3.09	—	15.44	1176.13	1173.23	1188.43	757.60

	Index No.	Day's Change	Day's High	Day's Low	August 5	August 4	August 3	July 31	July 30	Year ago
FT-SE 100 SHARE INDEX ♦	2261.4	−56.0	2333.6	2246.8	2317.4	2307.8	2334.3	2360.9	2370.5	1529.9

FIXED INTEREST

	PRICE INDICES	Thurs August 6	Day's change %	Wed August 5	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	121.05	−0.89	122.14	—	6.83
2	5-15 years	134.94	−1.91	137.56	—	8.51
3	Over 15 years	143.55	−2.19	146.76	—	7.72
4	Irredeemables	157.06	−1.97	160.21	—	7.27
5	All stocks	132.76	−1.66	135.01	—	7.86
	Index-Linked					
6	5 years	121.94	−0.68	122.78	—	1.57
7	Over 5 years	114.61	−1.63	116.51	—	2.08
8	All stocks	115.04	−1.55	116.85	—	2.03
9	Debentures & Loans	119.71	+0.17	119.51	—	6.20
10	Preference	87.55	−0.13	87.66	—	3.49

	AVERAGE GROSS REDEMPTION YIELDS		Thurs August 6	Wed August 5	Year ago (approx.)
	British Government				
1	Low	5 years	8.95	8.57	8.26
2	Coupons	15 years	9.76	9.50	9.25
3		25 years	9.77	9.50	9.28
4	Medium	5 years	10.21	9.71	9.59
5	Coupons	15 years	10.04	9.76	9.59
6		25 years	9.81	9.76	9.59
7	High	5 years	10.29	9.87	9.75
8	Coupons	15 years	10.20	9.90	9.75
9		25 years	9.84	9.58	9.58
10	Irredeemables†		9.68	9.39	9.26
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.74	2.52	3.69
12	Inflat'n rate 5%	Over 5 yrs	3.87	3.77	3.54
13	Inflat'n rate 10%	5 yrs	2.55	2.32	2.47
14	Inflat'n rate 10%	Over 5 yrs	3.84	3.73	3.38
15	Debs &	5 years	10.62	10.63	10.06
16	Loans	15 years	10.62	10.63	10.44
17		25 years	10.62	10.63	10.51
18	Preference†		10.40	10.39	10.89

♦Opening index 2328.8; 10 am 2324.8, 11 am 2321.9; Noon 2312.4; 1 pm 2273.8; 2 pm 2252.8; 3 pm 2253.9; 3.30 pm 2249.6; 4 pm 2257.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*406)	390	35	45	—	10	17	—
	420	18	30	42	25	32	35
	460	6	16	26	55	58	60
Brit. & Comm. (*515)	500	40	58	73	20	28	33
	550	18	33	45	50	55	60
	600	5	18	28	85	92	95
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*351)	330	23	35	47	3	12	12
	360	4	20	30	15	28	35
	390	2	13	20	43	48	52
Ladbroke (*432)	403	33	46	—	2	12	—
	420	—	—	45	—	—	23
	443	8	25	—	17	30	—
	460	3	16	28	33	43	45
[illegible]							

August 6. Total Contracts 64,206. Calls 41,249. Puts 22,957. FT-SE Index Calls 4,050. Puts 5,896 *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
245	100	28/8	147	135	BAA	135	−3	L6.6	2.4	3.2	17.7
††	F.P.	—	84	65	BHP Gold Mines A$0.25	78	−3	—	—	—	—
[illegible]											

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA | GERMANY | SPAIN | AUSTRALIA (Continued) | JAPAN (Continued) — [illegible]

BELGIUM/LUXEMBOURG | SWEDEN | HONG KONG — [illegible]

DENMARK | ITALY | SWITZERLAND — [illegible]

FINLAND | NETHERLANDS | JAPAN | SINGAPORE — [illegible]

FRANCE | AUSTRALIA | NORWAY | SOUTH AFRICA — [illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

WE REGRET that Canadian prices were not available for this edition due to computer problems.

Indices

NEW YORK — DOW JONES [illegible]

TORONTO	August 6	August 5	August 4	August 3	1987 High	1987 Low
Metals & Minls	3,398.5	3,429.5	3,483.5	*	3,483.6 (4/8/87)	1,988.2 (2/1/86)
Composite	4,839.8	4,848.9	4,855.9	*	4,855.09 (4/8/87)	3,867.8 (2/1/86)
MONTREAL Portfolio	2,029.54	2,037.54	2,036.32	2,048.18	2,224.77 (16/7/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day	Wednesday	Stocks traded	Closing Price	Change on day
ATT	5,394,700	32⅞	+⅞	Carteret	2,060,500	20	−⅛
Hanson Tr	3,292,200	15⅛	+⅛	Tandem Comp	1,727,400	27⅞	+1⅛
Kidde Inc	2,981,500	66⅛	+2¼	Fed Strs	1,694,400	53⅛	−⅞
IBM	2,432,100	160¼	+⅞	Navistar	1,417,200	7⅛	−⅛
Amer Elec	2,095,500	26⅛	+⅛	Archer-Dan	1,386,400	26⅛	+1¼

LONDON — Most Active Stocks
Wednesday, August 6, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Telecom	29.8m	278	−3	Amstrad	18.0m	155	−11
Hanson Tr.	28.8m	184	−½	[illegible]	9.8m	223	−4
Brit Gas	22.8m	174	−9	Brit Airways	8.1m	143	+3
ASDA-MFI	20.8m	195	+2	STC	7.5m	276	−16
Bristol	18.0m	324	−23	Gen Elect	7.6m	216	−6½

TOKYO — Most Active Stocks
Thursday, August 6, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
[illegible]	17.88m	1,830	+70	[illegible]	12.85m	1,380	−28
[illegible]	16.99m	322	+3	[illegible]	11.37m	1,080	+50
[illegible]	13.99m	1,110	+10	[illegible]	10.16m	580	+20
Toshiba Corp.	13.74m	675	+34	[illegible]	9.88m	1,290	+28
[illegible]	13.07m	785	+18	[illegible]	8.91m	1,060	+80

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

Airflow Strms	305	+ 24
Ault & Wib.	420	+ 20
Bremner	116	+ 16
Kent (J.)	118	+ 13
Matthews (B.)	170	+ 9
Press Tools	445	+205
Tech for Bus.	190	+ 41
Williams (R.)	61	+ 9

FALLS:

Tr 12½pc '03-05	£119⁹⁄₁₆	−2¾
Tr 13½pc '04-08	£128¼	−2⁷⁄₃₂
All-Lyons	407	−19
Amstrad	155	−11
Beecham	544	−23
BL Arrow	840	−36
BP	384	−18
Brit. Land	303	−28
Ctr Allen	390	−33
Cons. Gld Flds	£14⅛	−1⁄16
Costain	351	−30
Lnd Secs	536	−19
Lloyds Bnk	357	−14
Parkdale	176	−24
Royal Ins.	533	−21
STC	276	−16
Tarmac	294	−17
Tele. Rents	244	−22
Trafs Hse	377	−14
Utd News	509	−14
WPP	820	−45
Woolworth	356	−22

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 35

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20½	AAR	s	.50	1.5	23	162	34½	33⅝	34	+¼
37	22	ADT		.92	3.0	17	93	30¾	30½	30¾	+⅜
30	16¾	AFG	s	.16	.5	10	712	29¾	28½	29½	+⅞
22⅞	6⅜	AGS	s			19	585	20½	19⅝	20¼	+⅜
11	6¾	AMCA					9	9¼	9¼	9¼	
9⅜	4⅞	AM	Intl				1196	8	7⅞	8	+⅛
64¾	49¼	AMR				13	4862	63⅞	63⅜	63⅝	+⅜
27½	24⅞	ANR	pf	2.67	10.		1	25¾	25¾	25¾	−¼
11¾	8	ARX	s			12	79	10⅝	10¼	10⅜	+⅛
73½	31	ASA		2a	2.9		1160	68¾	67¾	68⅜	+½
20	9¾	AVX			1.9	34	363	16⅞	16	16¾	+¾
67	41	AbtLab		1	1.6	24	4931	62	61⅛	61¾	+⅜
28	24¼	Abitibi	g				191	27⅞	27½	27⅞	
28⅞	16⅝	AccoWs		.44	1.5	25	5	28⅞	28¾	28⅞	+⅛
16¾	9	AcmeC		.40	2.5	16	443	16	15½	15⅞	+⅛
9⅛	6⅛	AcmeE		.32b	3.6	35	45	9⅛	9	9	
23⅞	19	AdaEx		3.42e	15.		46	21⅝	21⅝	21¾	−⅛
19½	11⅜	AdmM	s	.24	1.7	11	40	14	14	14	
25⅛	12⅞	AdvSys		.62t	2.6	17	252	24¼	23⅞	24	+⅛
24½	12⅞	AMD					9854	19⅝	18¼	19½	+1⅛
54¾	47	AMD	pf	3	6.0		507	51	49¼	50⅝	+1¼
11⅞	5¼	Adobe					379	11	10⅝	11	+⅛
20½	14	Adob	pf	1.84	9.3		20	19⅞	19⅞	19⅞	
15	10⅜	Advest		.12a	1.0	10	95	12[illegible]	12⅜	12½	+⅛
68¼	53	AetnLf		2.76	4.7	8	5695	58¾	57⅛	58⅝	+⅞

[illegible]

Continued on Page 35

NYSE COMPOSITE CLOSING PRICES

Continued from Page 34

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
31½	21½	XTRA	.64	2.1	22	701	31½	31	31	−⅜
27¼	25⅞	XTRA pf1.94		7.1		150	u27½	27½	27½	+¼
27⅞	15	Yorkin			13	338	27¼	26½	27	
7¼	2¼	Zapata				567	6¼	6	6	−¼
32⅞	20¾	Zayre	.40	1.3	18	3895	30⅛	29¼	29¾	−½
14¾	9½	Zemex	.40	3.1	8	13	13¼	13	13	−¼
32⅝	18⅞	ZenithE			128	1373	32¼	31¾	32	−¼
13½	8	ZenLab				338	9⅞	9⅝	9⅝	−⅛
19½	12⅝	Zero	.36	1.9	19	299	18⅞	18½	18⅞	+¼
30¾	17⅞	Zurnin s			20	156	29	28⅝	28⅞	
17⅞	8¼	Zweig n.85e		8.5		621	10	9⅞	10	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued on Page 33

FINANCIAL TIMES

WORLD STOCK MARKETS

Dow advances to peak as volume swells

WALL STREET

OVERCOMING a weak opening, Wall Street stocks staged a broad advance to record levels yesterday with technology issues leading the way, *writes Roderick Oram in New York.*

Stocks advanced despite the poor tone which continues to afflict credit markets. Rumours of central bank intervention brought temporary weakness to the dollar and bond prices.

The Dow Jones industrial average closed up 27.58 points at 2,594.23, breaking its previous record of 2,572.07 set last Friday.

Broader market indices also set records with the Standard & Poor's 500 rising 3.64 to 322.09 and the New York and American stock exchange composites adding 1.83 to 180.37 and 1.71 to 361.38 respectively. The Nasdaq over-the-counter index rose 4.54 to 440.80, overturning its previous record set on March 20.

With stocks completing their recovery from Middle East-induced jitters earlier in the week, traders said investors were showing more willingness to get back into the markets. NYSE volume was heavy at 192m shares with advancing issues outnumbering those declining by a ratio of two-to-one.

Technology stocks, particularly computer makers, were the stars. IBM rose $3⅞ to $163 even though it was trading ex-dividend. Digital Equipment added $3⅞ to $169⅛, Apple rose $3 to $46¼ and Hewlett-Packard gained $2⅞ to $65.

Unisys, which announced a new management structure, edged up $⅛ to $44⅜. Alliant gave up $1⅞ to $17⅛ in the over-the-counter market after an analysts cut his earnings forecast.

Among semiconductor stocks, Texas Instruments gained $2⅛ to $65⅛, Intel rose $1⅜ to $48¼, Advanced Micro Devices put on $1½ to $19⅝ and Motorola put on $2⅛ to $80⅞.

Car makers were hurt by the resumption of their cut-rate financing wars. General Motors, which initiated it by offering car buyers 1.9 per cent a year interest charges, fell $⅞ to $87⅞. Ford dropped $¼ to $104⅞ and Chrysler slipped $⅞ to $39⅞.

Insurance stocks were buoyed by more good results. American International rose $3⅞ to $73⅞ and GEICO gained $2¼ to $124 on higher profits. Marsh & McLennan added $1 to $63⅞, CIGNA was up $1⅞ to $65⅞ and Aetna rose $⅞ to $58⅞.

In the takeover arena, Kenner Parker Toys jumped $3¼ to $45⅜ in heavy trading. It received a bid of $41 a share from New World Entertainment, unchanged at $10.

United Jersey Banks added a further $1½ to $29 after rising $2 on Wednesday following news of takeovers of two other New Jersey financial institutions.

Corning Glass Works put on $4 to $72 as rumors of a bid resurfaced.

Success seemed closer for two UK groups bidding for American companies, judging by falling prices of the targets. Manpower fell $½ to $78. The supplier of temporary employees is the subject of a $75 a share bid from Blue Arrow. Kidde slipped $⅝ to $65¾. Hanson Industries is offering a package of cash and securities worth about $67 a share for the diversified industrial group.

LTV rose $⅝ to $5. The steel group, which is operating under Chapter 11 of the bankruptcy code, reported a return to profit from operations in the second quarter of 53 cents a share compared with a loss of $610m a year earlier. Other steel stocks were mixed after reporting higher profits earlier. Bethlehem fell $¼ to $17⅜ while USX added $¼ to $37⅛.

Credit markets were keeping an eye on Washington where Congress was trying to finalise a debt ceiling increase and improvements to the the Gramm-Rudman-Hollings Act to cut Government budget deficits.

Trading was consequently thin with the price of the 8.75 per cent benchmark Treasury long bond slipping ⅝₂ of a point by late afternoon to 97²⁹⁄₃₂ yielding 8.96 per cent.

Bonds had dipped in mid-morning below their opening level when the dollar eased back briefly. The currency was temporarily undermined by rumours in foreign exchange markets that the Federal Reserve and other central banks had intervened by selling dollars to try to stem their rise against the D-Mark.

If, as seems likely, a permanent debt ceiling is passed today, the Treasury will probably announce details of its delayed August quarterly refunding auctions. Wall Street estimates that some $28bn of three and 10-year notes and 30-year bonds will be sold next week.

Traders and investors were also wary yesterday because of this morning's release of July's employment figures. A strong rise of some 200,000 in the number of people in work is expected with the indication of relatively robust economic growth carrying the threat of higher inflation and interest rates.

CANADA

PROFIT-TAKING continued to bring a broad retreat in Toronto. Resource issues led the sell-off, closely followed by precious metals after a drop in the bullion price.

Echo Bay was down C$¼ to C$34⅛, Dome Mines shed C$¼ to C$21⅛ and Hemlo Gold fell C$½ to C$27⅞.

Miner Inco slipped C$⅛ to C$28½ and Cominco was down C$⅜ to C$21⅞.

Transportation issues went against the lower trend. Pacific Western Airlines gained C$⅛ to C$34⅞.

London plunges on rate rise

LONDON securities markets suffered one of the heaviest single day falls of recent years yesterday after the Bank of England raised its money market rates by one per cent.

The move took the markets completely by surprise, driving government bonds down by more than 2½ points and reversing an early gain in equities, which lost more than £7.3bn ($11.5bn) in value within an hour of the official announcement.

The FT-SE 100 index, 16 points higher in early trading, plunged 70 points on the news, which was quickly followed by one-point hikes in base lending rates by the big UK banks.

At 2,261.4, the FT-SE 100 index closed 56 points lower, its largest daily fall on record in point terms. However, in percentage terms, the day's loss on major indices was less than half that of March 1974, when the market reacted to the first global oil crisis and the secondary banking crash in the UK.

The FT Ordinary index then fell 7.1 per cent. Yesterday it was down 42.5, or 2.4 per cent, at 1,754.1.

The City of London's worry was not merely that the sharp rise in rates would hurt manufacturing and financial services business. It also heightened concern in advance of next week's trade figures for June.

Savage falls were suffered by recently privatised issues on a significant increase in selling, as the market also braced itself for cash calls due next month.

In the gilts sector, long yields were closed on 10 per cent by the finish. Details, Page 32

EUROPE

Firm dollar draws buyers prompting spate of highs

THERE WAS a deluge of records in Europe yesterday as bourses responded favourably to dollar and foreign investors returned after earlier worries over the Gulf. Swiss and Dutch shares advanced to new highs and buying interest sent West German shares strongly upwards.

Zurich posted significant gains in active trading to close at a new high. The Credit Suisse index rose 8.4 to 591 as the firmer trend gained momentum.

Foreign and domestic investors were in evidence in response to a favourable earnings report by Swiss Reinsurance and the rebound on Wall Street.

Banks and insurers led the market. UBS bearer gained SFr65 to SFr4,975, Credit Suisse bearer added SFr80 to SFr3,400 and Corp bearer was up SFr7 at SFr500.

In chemicals, Ciba-Geigy bearer rose SFr60 to SFr4,000 and Hoffmann-La Roche added SFr100 to SFr15,000.

Engineering saw Brown Boveri up SFr80 to SFr2,780, Fischer bearer advancing SFr65 to SFr1,810 and Sulzer up SFr50 to SFr4,500.

Cementia bearer was a strong feature rising SFr250 to SFr4,800 and consumer-related holdings were also popular.

Amsterdam extended its two-session rally to a record for the third day in a row. The weighted ANP-CBS index, calculated at midsession, rose 3 to 327.5 although many stocks saw early gains trimmed when profit-taking set in later in the day.

Well-spread international buying resumed on the continuing stability of the dollar.

Blue ships commanded interest. Akzo added Fl 1.60 to Fl 174.80, Unilever gained 40 cents to Fl 141.90, Philips rose 50 cents to Fl 54.80 and KLM gained 70 cents to Fl 65.40 on an announcement of a rise in its load factor and traffic for July.

Publishers continued to attract the greatest attention. Uncommitted shares in Kluwer returned from suspension and surged by Fl 2,500 to Fl 3,100.

Trading in Elsevier shares resumed in the afternoon, following a morning's suspension, on British publisher Mr Robert Maxwell's overtures. It ended up 20 cents at Fl 64.

Frankfurt extended its recent strong gains and advanced across the board in lively trading as foreign investors poured back to the floor after earlier hesitation due to the Gulf tension.

The Commerzbank index of 60 leading stocks rose 21.2 to 2,033.2

Foreign investors, notably Japanese, favoured multinational blue chips. Deutsche Bank led the field, rising DM 19.50 to DM 698.50, followed by Daimler which added DM 24.50 to DM 1,169.50, only DM 30.80 below its year's high.

Other banks and cars also rose, but more moderately. Dresdner was up DM 8.50 at DM 359.50 and Volkswagen added DM 5.50 to DM 406.50.

Other market leaders were insurer Allianz, up DM 30 to DM 2,040, and Siemens which advanced DM 12.50 to DM 699.

Bonds ended firmer on short covering after recent sharp declines. In its daily market-balancing operation the Bundesbank sold DM 113.6m worth of paper after buying DM 12.7m on Wednesday.

Stockholm hit a second consecutive all-time high, continuing its headlong pace of recent weeks. The J&P index gained 24.9 to 2,954.4 in the heaviest volume since May. A total of SKr 438m shares changed hands compared with SKr 347m on Wednesday as investors returned from their holidays.

Saab-Scania maintained its good advance, putting on SKr 15 to SKr 705. Volvo added SKr 2 to SKr 362 and Pharmacia gained SKr 5 to SKr 240.

Oslo rallied to another all-time high in hectic trading worth NKr114m, taking the all-share index up 0.60 to 373.84. The profit taking of the previous day receded although oils continued to be affected after recent strong gains. Saga Petroleum lost NKr1.50 to NKr126 and Norsk Hydro added NKr1 to finish at NKr260.50.

Milan closed at a new 1987 low with losses in most sectors. The MIB share index closed at 921, down from 928 on Wednesday and a previous year's low of 923 on July 14.

Turnover was very thin with little or no interest in minor stocks.

Concern over the situation in the Middle East continued to weigh on a market already rattled by persistent problems between the partners of the new coalition Government.

Industrial blue chips led the decline.

Paris moved higher following the revovery in New York and Tokyo. The market was narrow and trading quiet amid continuing concern over the situation in the Middle East.

The CAC general index moved up 3.3 to 410.5.

Buying interest centred on electrical and construction issues. Banking shares also edged higher despite indications that interest rates may not be coming down as quickly as had been expected.

Brussels ended mixed with a firmer bias after a burst of demand late in the session. The stock index was up 4 at 1,312.54. Volume was generally low.

Utilities, chemicals and steelmakers were generally firmer. In utilities, Ebes firmed BFr120 to BFr5,340 and Intercom added BFr70 to BFr4,170.

Madrid fell on continuing profit taking after recent rises. The general index was down 5.08 at 283.30. Banks were hardest hit and constructions were also lower

SOUTH AFRICA

GOLD SHARES closed firmer in Johannesburg as a steadier bullion price ended a retreat from Monday's record highs.

Randfontein gained R20 to R490 and Grootvlei added 75 cents to R17.25.

In platinums Impala added R1.50 at R59.50 while diamond share De Beers rose 75 cents to R52.25. Vansa Vanadium gained 55 cents to R8.65.

Industrials were mixed to firmer.

Hong Kong flotation attracts record sum

By David Dodwell

WOULD-BE investors in Oriental Press Group, which owns Hong Kong's biggest-selling Chinese language newspaper, have subscribed a record sum – thought to be more than HK$70bn (US$8.97bn) – in the company's HK$250m public flotation.

Financial advisers to the group were still counting bids last night after applications for the offering closed on Wednesday. But they were in no doubt the sum subscribed would pass the HK$51bn that chased HK$1.54bn worth of shares in Cathay Pacific Airways, Hong Kong's unofficial flag carrier, in May last year.

The Cathay oversubscription put immense strain on Hong Kong's money supply, pushing interbank interest rates to record level. A similar effect on interbank rates has been forecast during the Oriental Press subscription period. Money supply, as measured by M1, amounts to barely more than HK$62bn.

The record subscription, which at the end of the first count of applications amounted to 280 times, is likely to earn a windfall profit in the region of HK$80m for the banks holding the funds for the eight to 10 days before money is returned to unsuccessful applicants.

It has raised questions about the pricing of the offer, although this has coincided with a bull run in the local stock market that has seen the Hang Seng index rise by 200 points in the past two weeks to a record level of 3,531.88 on Tuesday.

Trading volumes on the stock market this week have ranged about HK$2.3bn a day, more than twice the average of the past nine months. The Hang Seng index slipped yesterday to close just below 3,500, although market turnover remained above HK$2.4bn.

Oriental Press is offering the public 254m shares of 25 cents at HK$1 a share. This amounts to 20 per cent of the company's issued capital. A further 10 per cent has been placed with Evergo, a local group controlled by the Lau family.

The company's flagship is the Oriental Daily News, and many would-be investors are understood to be local readers of the newspaper.

Grey market trading in Oriental shares, which will start official trading on August 18, has indicated a range of between HK$1.80 and HK$2.

ASIA

Oil price drop boosts sharp Nikkei rally

TOKYO

A SUDDEN steep drop in crude oil prices and a rise in the domestic bond market eased worries about the future market trend in Tokyo yesterday, sending the Nikkei average into a sharp rally, *writes Shigeo Nishiwaki of Jiji press.*

Prices gained nearly across the board, with pharmaceuticals and constructions showing particular strength.

The market indicator shot up 361.08 to 24,658.23. Volume slightly increased from Wednesday's 534m shares to 631m. Gains far outpaced losses 645 to 242, with 135 issues unchanged.

Investors were relieved by a slight easing of Middle East tensions, which pushed down oil and non-ferrous metal prices. Small-lot buying covered a wide variety of issues and the rising market tempo gained momentum when dealers and a leading investment trust started to place volume buy orders.

Constructions drew popularity for the first time in many sessions, reflecting active buying by the dealing section of a major brokerage house and Wednesday's sharp rise of housing-related stocks. Taisei and Ohbayashi jumped Y50 to Y1,080, and Y80 to Y1,090 respectively, finding a place in the list of 10 busiest stocks. Kajima rose Y90 to Y1,790.

Housings registered moderate gains, with Shokusan Jutaku adding Y20 to Y1,290 and Daiwa House Y50 to Y2,430.

Investors sought cements along with constructions. Nihon Cement rose Y70 to Y1,030 on the heaviest trading of 17.88m shares, while Onoda Cement closed Y18 up at Y798 and Chichibu Cement leaped Y100 to Y2,100.

Drugs were also bought on expectations of improved business performances. Green Cross was Y60 up at Y3,080, Takeda Chemical Y120 higher at Y3,100 and Yamanouchi Pharmaceutical Y50 up at Y4,600.

The bond market, which stopped falling on Wednesday after an eight-day losing streak, began to show signs of recovery, with the yield on the benchmark issue slipping below the coupon rate for the first time in three sessions. Investors were encouraged by the yen's firmness against the dollar, thanks to the West German Bundesbank's dollar-selling market intervention on Wednesday.

The yield on the 5.1 per cent government bond due in June 1996 plunged to 5.005 per cent temporarily from Wednesday's 5.195 per cent, but 5 per cent proved to be a major barrier and the yield closed at 5.020 per cent in block trading on the Tokyo Stock Exchange.

SINGAPORE

POSITIVE economic and corporate news in Singapore helped send the Straits Times industrial index to a fresh record of 1,435.95, up 28.73, after Wednesday's holiday.

Volume rose by 11.5m shares to 47m shares as investors took heart from first-half export figures and showed their optimism about a series of company results due from early next week.

Sembawang Shipyard, which produced better half-way results, rose 12 cents to S$4.18 in active trading of 1.29m shares.

Banks were particularly strong.

HONG KONG

THE DOWNWARD correction continued for a second day in Hong Kong in another hectic session as investors took profits and rumours persisted about a share placement by the Cheung Kong group.

The Hang Seng index fell 19.18 to 3,397.95, back below the 3,500 threshold, in volume worth HK$2.47bn.

Cheung Kong was 50 cents weaker at HK$13.20 and properties generally suffered most. Utilities fell back modestly, while some banks, which have lost out recently, were up. Bank of East Asia jumped HK$2.75 to HK$34.75, a year's high.

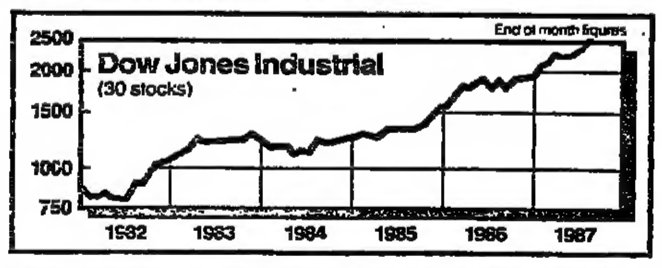
AUSTRALIA

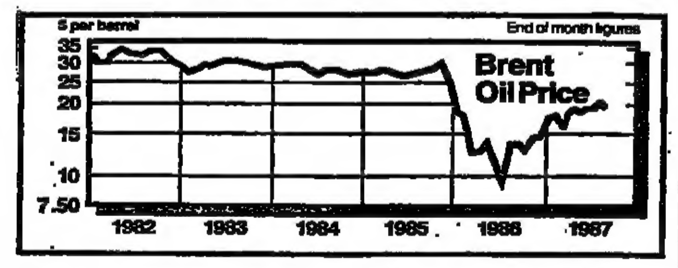
A FALL IN bullion and oil prices in New York pushed gold and mining shares downwards in Sydney. The All Ordinaries index slipped 4.7 to 2,083.4 after two consecutive highs.

Turnover was high at 309m shares with considerable activity in industrials. Publisher John Fairfax was up 30 cents at A$5.80 and Bell Group added 40 cents to A$9.60.

Diversified miners were weaker.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Aug 6	Prev	Year ago
NEW YORK			
DJ Industrials	2,594.23	2,566.65	1,779.53
DJ Transport	1,074.03	1,069.15	709.38
DJ Utilities	204.13	202.23	203.39
S&P Comp.	322.09	319.09	236.84
LONDON FT			
Ord	1,754.1	1,796.6	1,221.5
SE 100	2,261.4	2,317.4	1,529.90
A All-share	1,149.91	1,176.13	757.60
A 500	1,258.39	1,298.83	832.21
Gold mines	486.5	480.7	194.3
A Long gilt	9.84	9.58	9.54
World Act Ind (August 4)	129.55	129.55	93.58
TOKYO			
Nikkei	24,658.23	24,297.15	17,353.5
Tokyo SE	2,029.23	2,006.47	1,417.84
AUSTRALIA			
All Ord	2,083.4	2,088.1	1,139.6
Metals & Mins	1,420.8	1,440.1	518.2
AUSTRIA			
Credit Aktien	216.43	216.73	233.91
BELGIAN SE	5,214.80	5,199.40	3,769.70
CANADA			
Toronto			
Met & Mins	3,401.2*	3,429.5	1,952.0
Composite	4,027.2*	4,040.60	2,986.6
Montreal			
Portfolio	2,023.56*	2,037.54	1,485.74
DENMARK SE			
SE	206.10	208.54	203.90
FRANCE			
CAC Gen	410.50	407.20	376.8
Ind Tendance	105.90	104.70	98.77
WEST GERMANY			
FAZ-Aktien	660.42	654.74	628.49
Commerzbank	2,033.20	2,012.00	1,894.0
HONG KONG Hang Seng	3,497.95	3,517.13	1,887.83
ITALY Banca Comm.	666.39	671.11	736.04
NETHERLANDS ANP CBS			
Gen	327.50	324.50	288.7
Ind	278.20	273.80	288.3
NORWAY Oslo SE	495.16	494.28	338.35
SINGAPORE Straits Times	1,435.90	(C)	764.77
SOUTH AFRICA JSE			
Golds	–	2,404.0	1,465.9
Industrials	–	2,197.0	1,260.1
SPAIN Madrid SE	283.30	288.38	185.49
SWEDEN J & P	2,954.40	2,929.50	2,506.41
SWITZERLAND Swiss Bank Ind	674.90	666.60	504.2

COMMODITIES (London)

	August 6	Prev
Silver (spot fixing)	525.95p	533.90p
Copper (cash)	£108.00	£119.50
Coffee (November)	£1,280.00	£1,270.00
Oil (Brent Blend)	$19.675	$19.85

GOLD ($/oz)

	August 6	Prev
London	$469.00	$470.25
Zurich	$469.00	$470.25
Paris (fixing)	$460.16	$467.90
Luxembourg	$469.00	$472.00
New York (December)	$478.60	$477.60

CURRENCIES (London)

	US DOLLAR August 6	US DOLLAR Previous	STERLING August 6	STERLING Previous
$	–	–	1.5765	1.5790
DM	1.8830	1.8775	2.9675	2.965
Yen	151.35	150.70	238.50	238
FFr	6.275	6.2525	9.8925	9.8725
SFr	1.5625	1.5570	2.4625	2.4575
Fl	2.1195	2.1140	3.3425	3.3375
Lira	1,364.5	1,359.5	2,151.25	2,148.75
BFr	39.05	38.95	61.55	61.50
C$	1.3235	1.3255	2.0840	2.0915

INTEREST RATES

	August 6	Prev
Euro-currencies (3-month offered rate)		
£	9 15/16	9⅞
SFr	3 11/16	3⅝
DM	3⅞	3⅞
FFr	8⅛	8
FT London Interbank fixing (offered rate)		
3-month US$	7 5/16	7 5/16
6-month US$	7 9/16	7 9/16
US Fed Funds	6 7/16*	6⅝
US3-month CDs	6.65*	7.025
US3-month T-bills	5.71*	6.04

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
August 6 (Sept)	89-01	89-09	88-24	89-07
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	93.95	93.97	93.90	93.96
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.74	92.75	92.70	92.67
20-year National Gilt £50,000 32nds of 100%				
(Sept)	115-16	115-20	115-12	118-13

US BONDS

Treasury

	August 6 Price	August 6 Yield	Prev Price	Prev Yield
7¼ 1989	99 21/32	7.64	99 21/32	7.64
7 1994	97 19/32	8.52	97 19/32	8.52
8½ 1997	98 25/32	8.70	98 21/32	8.70
8¾ 2017	98 1/32	8.94	97 29/32	8.95

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index August 6	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	August 6 Price	August 6 Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	93.32	6.45	93.31	6.45
SCBT South Central 10⅞ Jan 1993	102.00	10.39	102.00	10.39
Philbro Sal 8 April 1996	90.46	9.65	90.73	9.60
TRW 8⅞ March 1996	95.10	9.60	94.83	9.65
Arco 9⅞ March 2016	98.35	10.05	98.35	10.05
General Motors 8⅞ April 2016	81.98	10.05	81.98	10.10
Citicorp 9⅞ March 2016	89.04	10.60	89.04	10.60

Source: Salomon Brothers

* Latest available figures